

THE IMPACT OF THE PANDEMIC ON ATTITUDE TOWARDS INNOVATION AMONG SMES IN THE CZECH REPUBLIC AND POLAND

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ABSTRACT

The article's primary purpose is to determine the attitude of Czech entrepreneurs towards innovation by comparing data obtained before and during the pandemic. Moreover, to compare the perception of the risks associated with the pandemic among Czech and Polish entrepreneurs. The use of innovation helps transform and modernize products, thereby affecting a firm's competitiveness in the market. At the same time, the introduction of new technologies allows the company to gain an advantage in creating new products that can allow it to expand its activities abroad and, thus, open up new markets. It can play an essential role in the company's development during a difficult market situation in its own country. This article examines trends in SMEs' drive to innovate in a pandemic. It also compares the results of entrepreneurs from the Czech Republic and Poland. The data obtained revealed that despite the overall negative impact of the pandemic on the activities of SMEs, it had a positive effect on the attitude of entrepreneurs towards the introduction of innovations. The willingness of Czech SMEs to innovate in the near future has increased by almost 23%. Also, during the pandemic, the expectations of entrepreneurs for help and decisive steps from the state increased. In this way, entrepreneurs preferred to rely on government assistance in financing the company than on banks, and the percentage of expectations for advantageous conditions from banks decreased by 19%. A comparison of data between Polish and Czech SMEs indicated differences in the perception of the main risk of a pandemic, where Czech entrepreneurs have fewer problems selling products or services (32% against 48%).

KEYWORDS: SMEs, innovations, pandemic, competitiveness, Czech SMEs, Poland SMEs, sales decrease.

JEL CLASSIFICATION: L26, O31, D81

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INTRODUCTION

SMEs play an essential role in the Czech economy. About 56.0% of total value-added is accounted by them (The 2019 SBA fact sheets). Though according to the Czech Republic Assessment of the SME Policy Mix (2020), SMEs have a weaker potential for technological innovation and are less likely to participate in the global value chain. There is a relationship between innovation and the ability of SMEs to export, and it is indicative that less than one percent of Czech micro-firms are engaged in export. The Czech Republic is considered a moderate innovator, with lower indicators than that of other EU countries.

From 2009 to 2019, Poland's number of officially registered SMEs increased by almost 800 thousand. Among Polish SMEs, the dominance of small companies in the size structure (about 94%) is noted (Bank Pekao Report, 2020). In the Czech Republic, this number is 96%. About 66.4% of employees in the Czech Republic work in the SME sector (*Assessment of the SME Policy Mix, 2019*). In Poland, the percentage is 68.1%.

Due to their small size and limited resources (financial and human capital) in the development and application of innovation, SMEs are at a significant disadvantage to corporations that benefit from greater flexibility in their relationships, the ability to develop complex, competitive innovation strategies with the

help of their skilled workforce, and also access to financial resources. Often, there is simply no time left for innovation in SMEs; owners and managers work for quick results, forgetting that innovations can bring benefits and high competitiveness to their company in the long term. Most often, entrepreneurs receive external credit financing from banks, but the process of lending to SMEs has its own peculiarities. Banks pay significant attention to the accounting indicators of SMEs, while, according to the BELAS study, entrepreneurs often do not have strong knowledge in the field of capital management. Only 31% of Czech entrepreneurs in the study conducted by the authors agreed that foreign capital is less risky than domestic capital. According to the Oniszczyk-Jastrzabek et al. (2018), during a recession, banks are sceptical about the risks associated with a company's innovation activities; thus, SMEs have even more limited access to external funding sources.

Innovations are an essential competitive strategy for SMEs. This process usually takes place differently from the innovation process in large firms. Innovation plays an essential role in increasing productivity. It increases enterprises' ability to enter foreign markets and develop unique products while introducing innovation requires a higher resource intensity from SMEs than from large firms. Several studies argue that in order to compete successfully internationally, SMEs need to be innovative. In this way, the firm can obtain a competitive advantage over other firms in the market and expand the number of possible customers (Geldres-Weiss et al., 2016; Paul et al., 2017). There are SMEs with high research intensity, but most often, SMEs face serious barriers depending on their size: a lack of financial resources, a small product range, difficulties in adopting new technologies.

This article's main purpose was to study the attitude of Czech SMEs to innovation in the period before and during the pandemic to determine the further vector of development of the SME. This article is devoted to studying the level of innovation (both product and process) in Czech and Polish small and medium-sized enterprises and the relationship with their impact on the firm's ability to compete in the market. Moreover, to identify the difference in investment in innovation among SMEs in the period before and during the breakdown between Polish and Czech SMEs.

Czech and Polish SMEs were selected for the analysis since these neighbouring countries are at different positions in the innovation graph, according to Eurostat. It was of interest to study the impact of the pandemic on a country with a moderate level of innovation (Czech Republic) and a country in third place (Poland) to identify the relationship between the level of a country's innovativeness and the desire to invest in innovation in a difficult economic situation.

The study was conducted on publicly available data collected by the Association for European Funds for the Czech Republic. For analysing Poland SMEs, the data from the report of the Bank Pekao team of authors supported with International Trade Centre were used. It also examines the advantages and barriers to innovation among SMEs through an analysis of the existing literature.

The article consists of the following parts: a review of the literature on innovation in SMEs and their impact on the firm's sustainable development. Then it is followed by a part of the methodology, where the studied data samples are written, and the methodology for their analysis is described. It is followed by part of the results and discussion, followed by part of the conclusion.

1 LITERATURE REVIEW

The SME sector is the main instrument for reducing income inequality, improving the quality of life of the population, and a means of improving links between socially, economically and geographically diverse sectors of the economy. Comparing innovation and the pandemic's impact on its development in Poland and the Czech Republic is interesting since both countries have common roots in economic and social development. Simultaneously, according to the Global Competitiveness Index or analysis of

innovativeness, Czech SMEs are more often in higher positions. The low level of automation and robotization among Polish SMEs is also confirmed in the study by Ingaldi & Ulewicz (2020). One of the main problems is considered to be the insufficient number of specialists due to the high outflow to other EU countries.

To strengthen their position in the market, modern SMEs often prefer to participate in areas of activity that allow them to stand out from their competitors. The study conducted in 2018, most Polish entrepreneurs in the SME sector nevertheless tended to analyze long-term opportunities and make decisions that could subsequently mask the company's profits (Kowalik et al., 2019). At the same time, according to the Oniszczyk-Jastrzabek et al. (2018), the innovation of Polish SMEs has begun to increase recently and largely depends on the number of employees in the company. Innovation and scientific knowledge have a positive effect on the firm's performance. However, due to their small size and frequent lack of financial and human resources, SMEs are more likely to face multiple challenges and risks than their larger competitors (Prange & Pinho, 2017). Also, SMEs often face low start-up capital or lack of funding, which can threaten their activities. However, according to Šebestová & Sroka (2020), SMEs are more flexible in making decisions about the development strategy of their company due to their small size. Thus, this can play a positive role in changing the development direction and set out on an innovative path. Organizational capital directly affects the firm's efficiency before the innovation is introduced into the model and, in general, on innovation in the company. At the same time, the introduction of innovation into the business model and management has a significant positive impact on the productivity of companies. Anwar's (2018) research provides evidence that firms with strong innovative business models outperform firms with traditional management models in efficiency and profitability.

Simultaneously, according to Jinjarak and Wiganraja (2016), the company's export activity allows it to take a higher and more competitive position in the market, simplifying the process of obtaining a bank loan innovation can enable firms to penetrate these new markets. To conduct business across national borders, SMEs need to consider a strategy to leverage competitive advantage and adapt their business model to the context of the export market. A study by Saridakis et al. (2019) indicates that the likelihood of internationalization increases by 8% points for firms that provide innovative products or services, compared with firms without innovations. Exports of Czech SMEs show a high level of economic complexity as well as high participation in European production and distribution chains. At the same time, about 15% of exports are high-tech products (The 2019 SBA fact sheets). Export can be an excellent opportunity to conquer new sales markets and find new customers, thereby allowing the company to overcome the crisis.

At all times, access to finance is one of the critical conditions for financing investment projects for SMEs and entrepreneurs. Given the difficulties of SMEs in obtaining financing, the country's authorities need to work to improve market conditions for companies focused on this sector. For example, the Spanish system of state support for SMEs receives support from EU programs, while the level of support depends, among other things, on how the state promotes and supports innovation and innovation (Corredera-Catalán et al., 2021).

Many existing studies point to a positive relationship between innovation and the success of SMEs. Innovation results in new or improved products, services and processes. As a result, innovations can spread beyond the company's borders and be indispensable in everyday life (Roxas et al., 2014; McDowell et al., 2018). Innovation allows SMEs to expand the boundaries of firms, realize their potential, create and sell new products (Canh et al., 2019). For example, innovation and the desire to create new products can open up the possibility of sustainable production of products, which will help maintain the loyalty of conscious customers and attract new ones in the face of falling sales from competitors (Kowalska, 2020).

In the McDowell et al. (2018) study, the results indicate that innovation mediates the relationship between business performance and capital and partially mediates the relationship between productivity and human capital. For the successful application and development of innovations in a company, the collection, codification and organization of knowledge are essential. In addition to using the knowledge of market competencies, such as, for example, delivery speed, a competitive advantage can be obtained by incorporating technological innovations into their products or services. The fact that innovations have a significant impact on the company's competitiveness is also noted in the Dvorský et al. (2021) research. It notes that innovation affects firm productivity and fosters relationships with other firms and creating and distributing knowledge between them. Innovation also contributes to the internationalization of SMEs at an early stage (Child et al., 2017). Innovation can enable SMEs to produce competitive products that help overcome the challenges of settling a market. At the same time, large firms are more often involved in innovations in technical innovation, R&D, and patents, while SMEs, due to their limitations, are more likely to be characterized by a softer type of innovation.

In Mura's (2020) research notes, SME leadership's age influences the willingness to innovate in the company. Entrepreneurs under the age of 45 are more likely to show an interest in innovating and improving the products and services they provide. A study of pandemic-affected Slovakia indicates that new and innovative forms of entrepreneurship are developing in unfavourable conditions in which companies find themselves. Despite the advantages of implementing innovations, SMEs in some countries do not increase their competitiveness and stability in the market this way. According to the latest European Innovation Scoreboard (2020), Poland is only 24th in the EU in terms of innovation, ahead of Romania, Bulgaria and Croatia. The Czech Republic is in 16th place. For example, about 57% of medium-sized enterprises in the Czech Republic and 38% of small enterprises implement innovations in their activities. Fialova and Hronova's (2016) study shows that 90% of the Czech SMEs interviewed focused on specific innovations, with product innovations being the most common. In 2019, product innovations were introduced by about 23.7% of Polish SMEs, while technological innovations were introduced by only 18%.

In the study of Ivanova and Cepel (2018), it is noted that the key factor in the development of the competitiveness of the country's economy is the innovative efficiency of its enterprises and the innovativeness of business processes. Since SMEs have limited resources, they are less likely to be able to achieve the necessary innovations without a program of innovation assistance from the state. It is noted that such programs' impact is much higher among SMEs than among large companies. The work of Mancusi et al. (2017) confirms the fact that a firm's ability to innovate is a key factor in exports, but they also note the hypothesis of companies learning from exports, according to which exports are feedback for innovations. Still, according to a study by Freixanet (2014), it may be strategically appropriate for governments to promote export assistance, for example, to prioritize helping and stimulating innovation in SMEs so that better products and developments can be competitive and successful and overcome international barriers. The state needs to develop an active investment policy that will help overcome barriers to the country's innovative efficiency, develop inter-firm cooperation between companies and allow the country's economy to become more competitive. Thus, the Al-Fadly (2021) indicates that business expects government initiatives and business recovery plans from the government.

Most often, innovative enterprises have a more flexible management strategy, making it easier for such companies to adapt to challenging conditions, including pandemic times. Thus, the situation with the pandemic could force companies to adapt to new conditions faster in order to remain competitive and continue to exist in the market. Start introducing product innovations to provide better products and services and technological innovations for new, improved manufacturing methods and distributing their products. This study focuses on determining whether a crisis was the cause of a breakthrough in the implementation of innovation.

2 DATA, METHODOLOGY AND METHODS

This study aims to study the impact of the pandemic on the introduction of innovations in the SME sectors of the Czech Republic and Poland and conduct an analysis. The difference in the attitudes towards investment and digitalization of production between Czech and Polish entrepreneurs is studied to identify the impact of the covid-19 pandemic on countries with different levels of innovation.

The data collection on the impact of the pandemic on attitudes towards innovation among SMEs in the Czech Republic was carried out by the Association of Small and Medium Enterprises of the Czech Republic. The structured questionnaire took about 8 minutes; 300 Czech companies took part in the survey; the share of family businesses was 38%. Data for 2019 (before the pandemic) were also compiled by the Association of Small and Medium Enterprises of the Czech Republic. The sample consisted of 400 companies, and the survey was conducted through a telephone survey (CATI). Data on the impact of the pandemic on business in terms of the main threats and business changes in connection with Covid-19 were also collected by the Association of Small and Medium Enterprises of the Czech Republic. The data were obtained through a survey using a structured questionnaire, and 188 Czech SMEs took part in the survey. The survey was conducted in February 2021. The Likert scale was used to assess the responses.

The research tool for Polish SMEs was a structured interview questionnaire. It contained standardized questions about specific issues, similar to those in the Czech Republic study. The survey was also carried out through a telephone survey. A total of 7,412 interviews were conducted, of which 6,006 interviews with micro-company owners, 903 interviews with small business owners and 503 people represented medium-sized companies. The study was held from September to October 2020.

Both studies were conducted among enterprises employing no more than 249 people. The responses to the claims were provided by the owners or top managers of the company.

Through interviews, the awareness of the importance of innovation and the development of automation/digitalization among top management (owners) and the need to implement them in the activities of the SME was studied. Also, the questions concerned the attitude of SMEs to banks and their role as a source of financing for the development of innovations in the company. Data was collected from Czech SMEs before and during the pandemic.

For comparison, the surveys were conducted between Czech and Polish companies on topics related to the impact of Covid-19 on innovation plans in the coming year (despite the impact of the pandemic) and the main risk faced by the company due to the pandemic. The data was collected during the pandemic.

Further hypotheses were formulated. The first two relate to the situation among Czech SMEs, and the third compares the impact of the pandemic on SMEs in the Czech Republic and Poland:

H1: COVID-19 has had a positive impact on the attitude to innovations in the SME sector in the Czech Republic.

H2: The pandemic did not affect the role of banks as the main sources of support and financing for innovation among Czech SMEs.

H3: There is a significant difference in the impact of Covid-19 on Czech SMEs compared to Polish SMEs.

In this article, the Pearson Chi-Square test and the Z-score test method are used to research categories and compare groups by categorical results. To analyze questions about the similarities and differences between categorical variables, the most common method suitable for this type of analysis, the chi-square test, was used. Further, the Z-score test was used to confirm the presence or absence of differences for two groups (Czech and Polish SMEs and Czech SMEs before the pandemic and Czech SMEs during the pandemic) or to identify statistical differences between the number of entrepreneurs. The p-value of the normal (standardized) distribution was used to estimate the parameters. Statements were evaluated according to the data and numbers obtained in the above studies. The hypothesis's statistical significance was tested at the 5% level, with a p-value of less than 0.05 and the assumption of no difference was rejected.

3 RESULTS AND DISCUSSION

The results of the study are displayed in tables. Table 1 shows how much has changed the attitude of local entrepreneurs to the introduced innovations and the attitude towards them in just a year. Significantly more SMEs began to perceive and understand the need to introduce innovations in the near future. In 2019, only 36% of firms said they were innovating and generally understand the importance of innovation in the development of their company. And in 2020, this percentage was 59%. In a study by the Association of Small and Medium Enterprises of the Czech Republic, conducted in 2019, among 255 surveyed companies of the Czech SME sector that did not express a positive attitude towards innovation in general, about 8% of respondents planned to start introducing innovations in the next 2 years.

The data obtained is related to the fact that in difficult market conditions, in order for the company to remain to function, one should not underestimate any opportunities for increasing its productivity, which, among other things, depends on the company's innovative potential. The fact that the crisis can create opportunities for the development of the company is mentioned in the work of Petzold et al. (2018), where it is argued that making strategic decisions and the correct perception and interpretation of the crisis by the manager (owner) of SMEs can become the source of a new competitive strategy.

H1 was confirmed.

Table 1 Evaluation of the importance of innovation among Czech SMEs in 2019 (before Covid-19) and 2020 during the pandemic (ST1)

The company recognises the importance of innovation and the development of automation/digitalization and the need to implement them in its activities in the near future.	Czech Republic in 2019 (CR-19) 400	Czech Republic in 2020 (CR-20) 300	Z-score/ p-value CR-19/CR-20
1. Strongly Agree	68	63	
2. Agree	76	114	
1+2 together: %, count	36/ 144	59/ 177	-6.0436/.00001
3. Neither agree nor disagree	124	54	
4. Disagree	131	36	
5. Strongly disagree	1	33	
Chi-square/p-value: CR-19/CR-20 =			

107.3843/ .00001

(Source: Association of Small and Medium Enterprises of the Czech Republic)

The data obtained are consistent with data from the Czech Republic Assessment of the SME Policy Mix, where the share of Czech SMEs investing in R&D in 2014 was low and amounted to about 35% among small firms. That being said, the report found a positive relationship between innovation and company productivity, where more productive firms were more likely to invest in R&D. It is noteworthy that the Association of Small and Medium Enterprises of the Czech Republic survey (2019) noted that firms with a large number of employees (over 100) are more inclined to introduce innovations into their activities. The data are consistent with the study (Oniszczyk-Jastrzabek et al., 2018), which also states that in Polish SMEs and the number of employees, the willingness to innovate is also increasing. Hence in 2015, about 42% of medium-sized enterprises in Poland introduced innovations into their activities and only 26% of micro-enterprises.

The pandemic's positive effect on the application of innovations in SME activities is also confirmed in Al-Fadly's (2020) study. It examines restaurants that turned to technology by developing software with the help of which customers could place orders directly started their pages in social networks and created websites. Pre-pandemic entrepreneurial attitudes towards innovation highlighted in the study of Piątkowski (2020). Most of the surveyed SMEs who received EU support expressed the view that innovation should not be seen as the only important investment area that could increase firm competitiveness.

Table 2 presents the results showing that in financing investments and supporting their company in 2019, about 40% of Czech entrepreneurs were ready to take advantage of the support and favourable conditions of banks. In 2020, this percentage was just over 20%. The data obtained can be associated with the fact that the companies found themselves in unprecedented conditions when the main hopes for financing investments and other activities of companies passed to the state. Simultaneously, based on the research data, 54% of the same sample of entrepreneurs in 2020 believe that the state should take the main responsibility for helping entrepreneurs (Association of Small and Medium Enterprises of the Czech Republic, Innovation in small and medium-sized companies report 2020).

H2 was rejected.

Table 2 Evaluation of the attitude of SMEs towards banks as the primary source of financing for the introduction of investments or helping in innovations during the pandemic in their company (ST2)

The company expects help from banks in financing investments or help for the development of innovations in my company.	Czech Republic in 2019 (CR-19) 400	Czech Republic in 2020 (CR-20) 300	Z-score/ p-value CR-19/CR-20
1. Strongly Agree	56	15	
2. Agree	104	48	
1+2 together: %, count	40/ 160	21/63	5.3393/ .00001
3. Neither agree nor disagree	112	105	
4. Disagree	120	93	
5. Strongly disagree	8	39	
Chi-square/p-value: CR-19/CR-20 =			

55.2445/ .00001

(Source: Association of Small and Medium Enterprises of the Czech Republic)

The same situation with a shift in the expectation of assistance from banks towards the authorities is observed in a number of other European countries. The pandemic has had an impact on who is expected to provide financial support and a guarantee of investment in the company. For example, it is clear that before the pandemic, SMEs relied more on programs and bank financing, while during a pandemic, the responsibility should obviously lie with the authorities. For example, in Spain, the government has approved a dedicated credit line for firms affected by COVID-19. This line has exceptional coverage of credit risks for SMEs, providing counter-guarantees for working capital loans (Corredera-Catalán et al., 2021). Interestingly, according to the 2019 OECD data, productive SMEs in the Czech Republic often face restrictions set by commodity market rules. Sometimes, by intervening in the regulation of product markets through policy, governments can negatively affect the degree of competition between firms and limit their incentives to improve productivity and innovation. At the same time, the rules of the commodity market restrict competition in the Czech Republic even at a higher level than in Poland. The distortions caused by state intervention in the Czech Republic were 0.69, while in Poland, the score was 0.83 (higher scores reflect restrictive regulation). Policymakers should pay attention to the intervention results and the adequacy of the measures taken to address typical market failures. SMEs expect help from the state to provide operational opportunities, assistance in introducing new technologies, and extending the loan term can help in obtaining a loan. It is expected that policymakers will embark on new plans and policies to help affected SMEs. Many entrepreneurs are counting on increased government funding through grants and subsidies (Al-Fadly, 2020).

The study by the Mancusi et al. (2017) also noted the positive impact of the connection between banks and Spain SMEs on promoting innovative products, but the impact on exports was much higher. However, in the pre-COVID-19 era, according to a study by the Cepel et al. (2018), the importance of the Central bank for the financing of business innovations was positively assessed by the SME from Slovakia. This study, conducted in 2018, indicated that despite the important role of banks in investing in innovation, only about 27% of surveyed Czech entrepreneurs admitted that they consider the interest rate in banks to be conducive to the development of innovation (against 36% of Slovak entrepreneurs).

Table 3 shows the results of a short run on selected statements (ST3 – ST5) between the Czech Republic and Poland. Three statements were assessed to investigate the impact of COVID-19 between Czech and Polish SMEs. The findings indicate that the pandemic had an equally negative impact on SMEs in both selected countries, but Polish entrepreneurs were much more affected by the drop in sales than their Czech counterparts. Obviously, the negative consequences of the pandemic affected entrepreneurs equally, but significant differences were noted only on ST5. The positive is the willingness of SMEs to develop innovations despite the circumstances and the current situation.

H3 was partially confirmed.

Table 3 Assessment of the impact of the pandemic on Czech and Polish SMEs based on selected statements (ST3 – ST5)

Statements	Ratio of positive answers expressed by SMEs CR/PL	Z-score/p-value (CR/PL)
S: Covid-19 does not have a significant negative impact on a company	0.08/0.09	0.6779/.24825

S: Despite the pandemic, the company plans to innovate in the next 12 months	0.48/0.46	-1.3582/.08692
S: The main problem faced by my company during the pandemic is the decrease in sales	0.32/0.48	4.3583/.0001

(Source: Association of Small and Medium Enterprises of the Czech Republic, Bank Pekao. Report on the Situation of Micro, Small and Medium-sized Enterprises in Poland in the year 2020)

From the table above, it can be seen that, despite the difference in the responses of entrepreneurs from the Czech Republic and Poland, in both countries, a decline in demand, as one of the main problems faced by SMEs, was named by a relatively large number of companies. The studies of Cowling et al. (2015) and Omar et al. (2018) claims the shock situations caused a demand shock and significantly affected consumption. Also, restrictive measures have led to a reduction in consumer spending. Significant changes in purchasing patterns often occur in the post-disaster phases. The growth in the consumption of luxury goods decreases, and the consumption of low-cost products is growing. According to the data obtained by Lu et al. (2020), in China, among the surveyed SMEs, about 60% of enterprises named receiving new orders as the most serious problem they faced during the pandemic. Overall, Chinese SMEs have faced significant pressures on capital chains and cash flows.

Shifts in consumer preferences are also mentioned in the work of Baldwin & Mauro (2020), where it is also mentioned that enterprises are faced with an increase in the cost of doing business, with a decrease in the supply of labour. In a situation where social and other aspects are gaining in importance, SMEs are faced with the need to change quickly in order to respond to changing customer needs timely (Kowalska, 2020). Perhaps this discrepancy between the assessment of sales between Polish and Czech entrepreneurs is due to the fact that the Czech Republic is at a higher level of innovation, which allows entrepreneurs in a turbulent market to get a competitive advantage from creating new products or promoting their products and services using modern technologies.

CONCLUSION

In response to the crisis, SMEs can choose between investing in innovation and/or marketing or cutting costs. Many authors point out that the first option is more likely to allow the company to maintain or even increase its level during an economic downturn (Rollins et al., 2014; Petzold et al., 2018). The study leads to the same conclusions: despite the difficult economic situation, SMEs in both studied countries strive to continue investing in innovations (both product and process). The findings indicate that awareness of the importance of innovation among Czech SMEs has increased during the pandemic. This fact can be correlated with information from various literary sources. It is argued that a company's productivity, competitiveness, and ability to survive in the market also depend on innovation. Reconsidering the importance of introducing innovations into their activities by companies from the Czech Republic and Poland, despite the current situation, is essential since the maximum economic success of an SME is impossible without the development of innovation.

The study also points to a shift in emphasis on the role of the government in supporting companies caught in the COVID-19 pandemic. There is a growing demand for aid programs in Czech SMEs, deferred loan repayments, and new government policies that can support SMEs' will to innovate. Due to their small size, SMEs have the flexibility and the ability to quickly change their development strategy, use readily available resources to create a new source of income. By leveraging existing assets, they can

offer something new and respond quickly to changes in the business environment due to the crisis (Bivona & Cruz, 2021). However, in obtaining resources and in order to make them readily available to SMEs, a competent policy of policymakers is undoubtedly necessary.

Given the negative impact of falling consumer interest, companies especially need to pay attention to the innovation and digitalization of their industries. So digitalization helps to strengthen and establish direct contacts with customers by providing technical information and interacting with websites and social networks (Matarazzo et al., 2021). And thus overcome the risk of a decrease in sales and even attract new buyers by overtaking competitors.

The article can be useful both for entrepreneurs and as a basis for further research. It can further motivate entrepreneurs to explore how innovation can be applied to cope with SMEs' crises due to the pandemic. In the future, it is interesting to study the pandemic's impact on investment in innovation among countries with a higher level of innovation to compare the data obtained between countries. This study is of interest as it indicates exactly how SMEs in different countries relate to innovation as an opportunity to overcome risks and stabilize the situation in their company. And whether and to what extent does the country's level of innovation affect entrepreneurs in this matter. For further research, the article provides a comparison of data between Czech enterprises in 2019 and 2020 and a comparison of the impact of the pandemic on Czech and Polish SMEs, which can serve as a basis for further discussion. This article also notes possible government steps to develop programs that will enable the SME sector to weather the difficulties that have arisen in the market.

This article has limitations. They consist in the fact that the study of Czech SMEs was carried out on a fairly small sample, while the study of Polish SMEs was fuller. In this case, comparing the results between Polish and Czech entrepreneurs is more likely to indicate a certain trend than an exact result.

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