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# Innovation, the New Challenge of Today's Entrepreneurship

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**Abstract:** The aim of this article is to evaluate the importance of innovation for entrepreneurship environment in the context of current economic conditions. Throughout the last century, industry leaders learnt to master the production process to such an extent that now it no longer functions as a significant competitive advantage. Every entrepreneur is now facing a harsh and highly competitive business context in a globalized economy, and in order to resist and to be successful the new challenge is to master the innovation process, harnessing change, creating new competitive advantages by offering better products, using better processes, delivering better services or even offering entirely new solutions. Although the process of innovation is one of the most important drivers of growth and prosperity in today's global economy, it is also one of the least understood. This paper wants to bring a contribution to a better understanding of the innovation process and to identify some characteristics of the future entrepreneur. At the end of the paper are presented some recommendations that a company should be aware of in order to be more innovative and also we have identified some characteristics that an entrepreneur must have in order to be successful. This article can be also used as a base for future studies regarding the process of innovation, the management of the innovation process, the establishing of a management system of innovation and its implementation into existing management systems.

**Keywords:** Innovation, Entrepreneurship, Business Success

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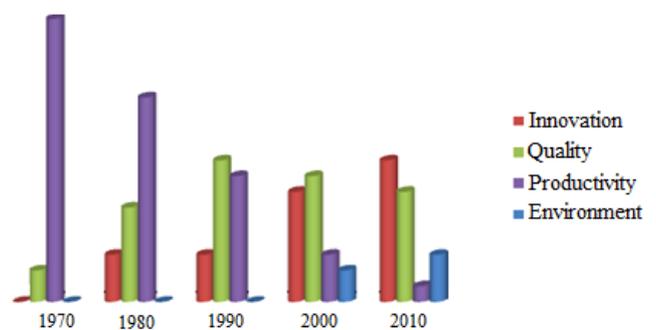
## 1. Introduction

In today's national and global economy, innovation, knowledge and information are the central concerns of private and state entities. In this context, innovation is an important dimension of restructuring and modernization policies within an economy based on knowledge and competitiveness. Innovation is an everyday phenomenon that progressively changes economy and society [1], [2], [3], seen as the elixir of life for enterprises, regardless of their size and profile [4], [5], [6].

Figure 1 presents the evolution of the key forces for determining the competitiveness of the industrial sector over five decades. It may be noted that, until 1970, most companies approached innovation from a very narrow perspective, focusing mainly on results only [6].

Then, in the 80s, the focus was on productivity, followed by quality and not very often by innovation. In the last twenty years, enterprises have been oriented towards quality

management through processes and systems. The concept of continuous improvement helped competitive positioning strategy.



**Figure 1.** The evolution of the key forces for determining the competitiveness of the industrial sector over five decades [6].

In the 90s, competition in a global market has led enterprises to consider quality as a key driving force, without

leaving out productivity from the competitiveness equation. In the 2000s, there was a change of priorities and enterprises realized that innovation is as important as quality in order to provide a competitive advantage in the market. This approach is very popular nowadays.

## 2. Defining the Concept of Innovation

Innovation efforts over the years have provided a wealth of innovation projects that failed. Even large companies that were once forerunners and creators of all markets have failed to remain competitive when major changes occurred, particularly technological. Organizations are accustomed to what they do (basic competencies) that they get stuck there, and when the environment changes (for example, change in customer requirements, change in regulations), they are unable to adapt quickly and easily [6].

Innovation is novelty, change, transformation, solving a technical problem or work organization problem in order to improve a performance indicator. Innovation comes from the verb to innovate, the action to innovate and its outcome, renewal, innovation. To innovate means to make a change, to introduce a novelty in a field, in a system, to renew, to introduce, adopt or disseminate innovation [7].

Innovation can be analyzed as an invention and its commercialization. However, the boundaries are not always clear, as the invention may be relevant not only for research and development, but also for optimizing or enhancing new methods and processes, and its marketing may also include significant research work [8].

Innovation is seen as the key element to obtaining sustainable competitive advantages for the success of the enterprise. The goal of innovation is mostly to survive, to grow, to make a profit, but what matters for innovation is how it affects the chances of survival, profit and growth opportunities.

## 3. Approaches to the Process of Innovation in Connection with Business Processes

A thorough examination of the literature on the innovation process carried out in this paper allows us to point out some important conclusions regarding the approach to the innovation process in organizations, the stages of the innovation process, as well as the outcome and benefits of the innovation process.

The innovation process is a sequence of activities carried out by the management of an enterprise to create products and services, intended for sale [11]. At the same time, the category of innovation processes also includes market expansion activities, supply improvement activities, production processes, equipment maintenance, distribution channels, service activities and, not least, administrative and management improvement activities [12]. In other words, any change made in the enterprise in order to improve its

economic situation, its position on the market, staff working conditions or environmental protection, is an essential part of the innovation process [13].

The Organisation for Economic Co-operation and Development (OECD)[14] has proposed a systemic view of the innovation process (Figure 2).

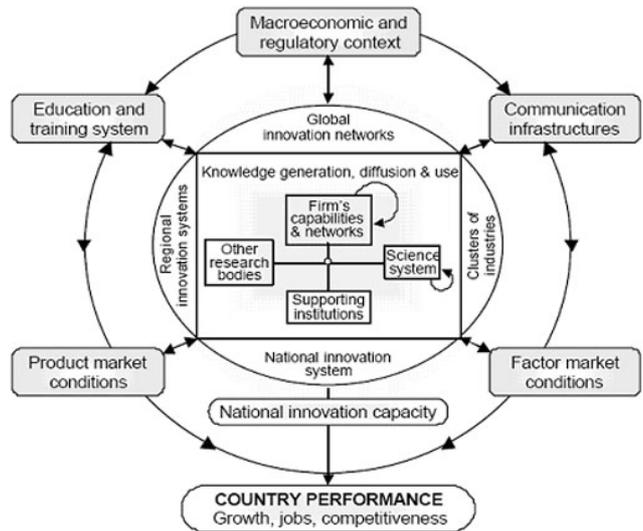


Figure 2. Parties and relationships in an enterprise's innovation system: the OECD model [14].

The key processes that lie at the center of the system are knowledge, dissemination and exploitation, which are shaped by the organization's capabilities and the strength of its relationships. Supporting the commercial, technological and regulatory environments where enterprises operate is another key component of the system. The result of this complex set of capabilities and the connections of the national innovation capacity is an important factor in determining economic performance. According to OECD [14], a national innovation system is a set of distinct institutions which jointly and individually contribute to the development and dissemination of new technologies and provide the framework for governments to implement policies that influence the innovation process. Therefore, it is a system of interconnected institutions that create and store the transfer of knowledge and skills that define new technologies (viewed from a wider perspective).

The model in Figure 2 also suggests that regional differences in levels of innovation activities can be substantial, and that the identification of the main characteristics and factors that promote innovation activity and the development of specific sectors at regional level can contribute to the innovation process[15].

Another important idea emerging from the pattern in Figure 2 is that enterprises do not innovate in isolation. The "journey" of innovation is a collective achievement that requires many entrepreneurs in both the public and private sector[16].

Innovation is a complex process, all innovation models comprising several stages. In its most synthetic form, there are three stages, and the most extensive model is that proposed by

Tidd and Bessant, which consists of seven stages [17].

The first stage of all models is to collect information and then generate the idea. While most authors have attributed this first step a simple name, such as idea generation, or the stage of market analysis and opportunity identification.

The next step identified by most authors is to choose the best idea, deciding and preparing to develop the idea. This step is called "selection", "idea conversion" or "innovation generation and investigation".

The next step is to obtain a tangible product, process or service from the innovative idea, followed by product testing and commercialization. For some models, these two stages are united under the name of "idea conversion", "development period".

The last stage is implementing the new product, process or service in the market, commercializing and obtaining added value from the innovative idea. Some authors show a further step, after the product, process or service is launched, in order to learn and prepare for another innovative process [18].

Innovation is the result of a process that consists of a set of activities and a sequence of events as shown in Figure 3 The innovation process typically consists of seven distinct phases,

starting with an idea and ending with putting the idea into practice.

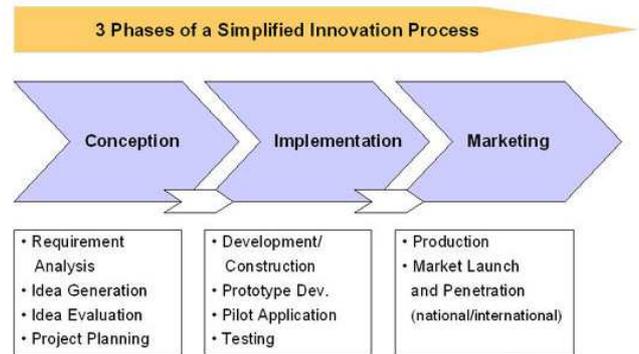


Figure 3. Phases of the innovation process [19].

The innovation process has influenced managers to create their innovation models within the organization. A very good model that pinpoints the factors that influence an organization's innovation process is the one found in [20], and it is shown in Figure 4.

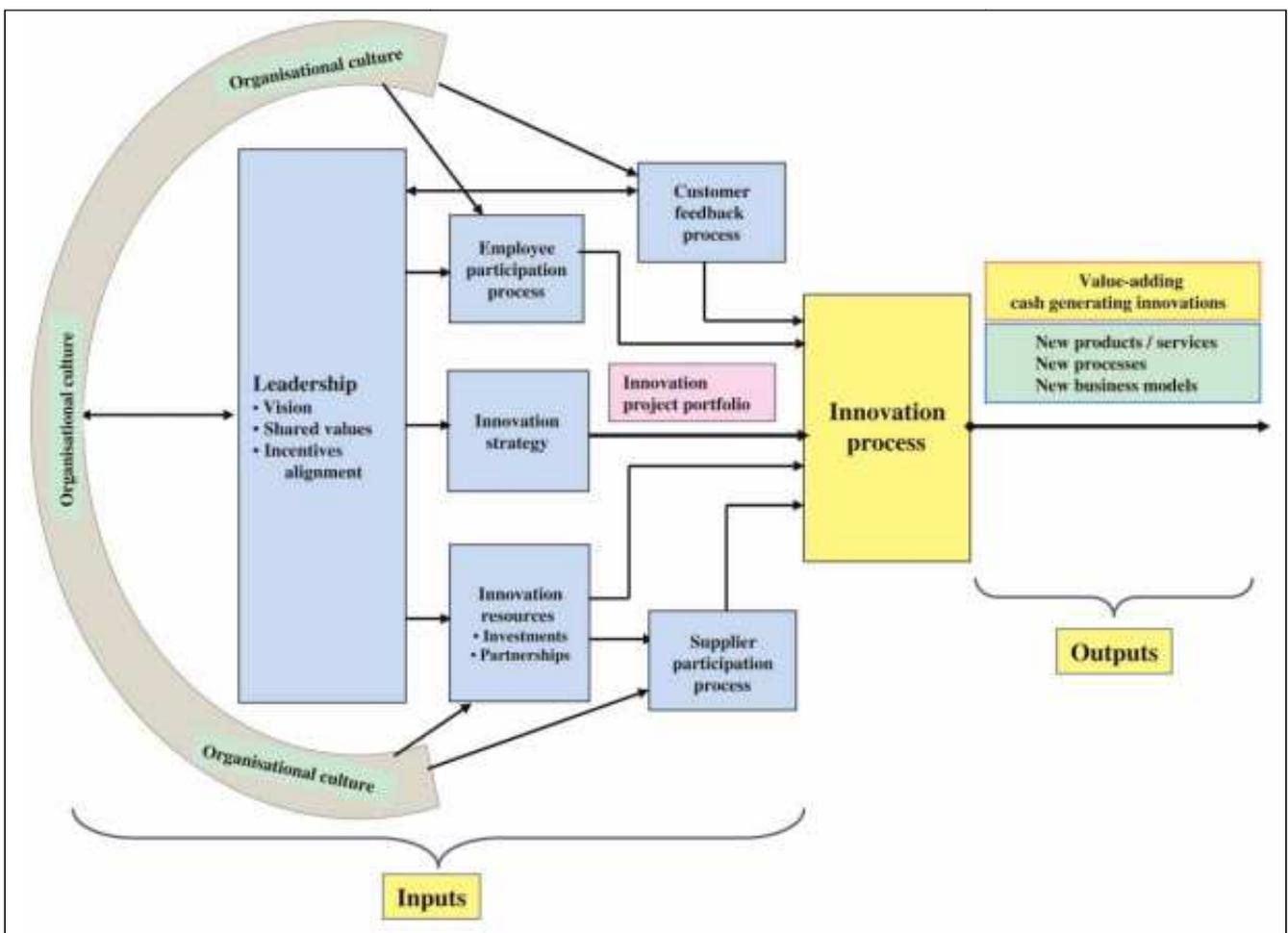


Figure 4. Innovation process model[20].

According to this model, the innovation process is influenced by:

- leadership, which shapes the vision, shared values and incentive alignment, both tangible and intangible, for all

key stakeholders

- The organizational culture, which establishes the perfect ground for creative talent hiring. Key attributes for culture include current reliability, attitude to risk experimenting with new ideas, tolerance for failure, the degree of diversity in education and ethnicity of employees, willingness to share knowledge and cooperate, and others.
- Innovation strategy, which identifies and takes advantage of new opportunities emerging in a changing business environment. This strategy is reflected in the portfolio of innovation projects in order to balance the benefits and risks that improve products, creating new value to meet customer needs.
- Employee involvement in the process, which makes a

valuable contribution and supports innovation strategy, particularly with regard to product characteristics and production process improvements.

- Innovation resources, necessary investments and external partnerships.
- Client feedback, which allows organizations to collect opinions from the market regarding product performance.
- Supplier involvement in the process, using expertise, unique skills and partner counseling in developing new products and services.

The innovation process uses all the above mentioned inputs to select the best ideas for developing new value-added products and services that can reach the market quickly and become new sources of revenue and profit (Figure 5).

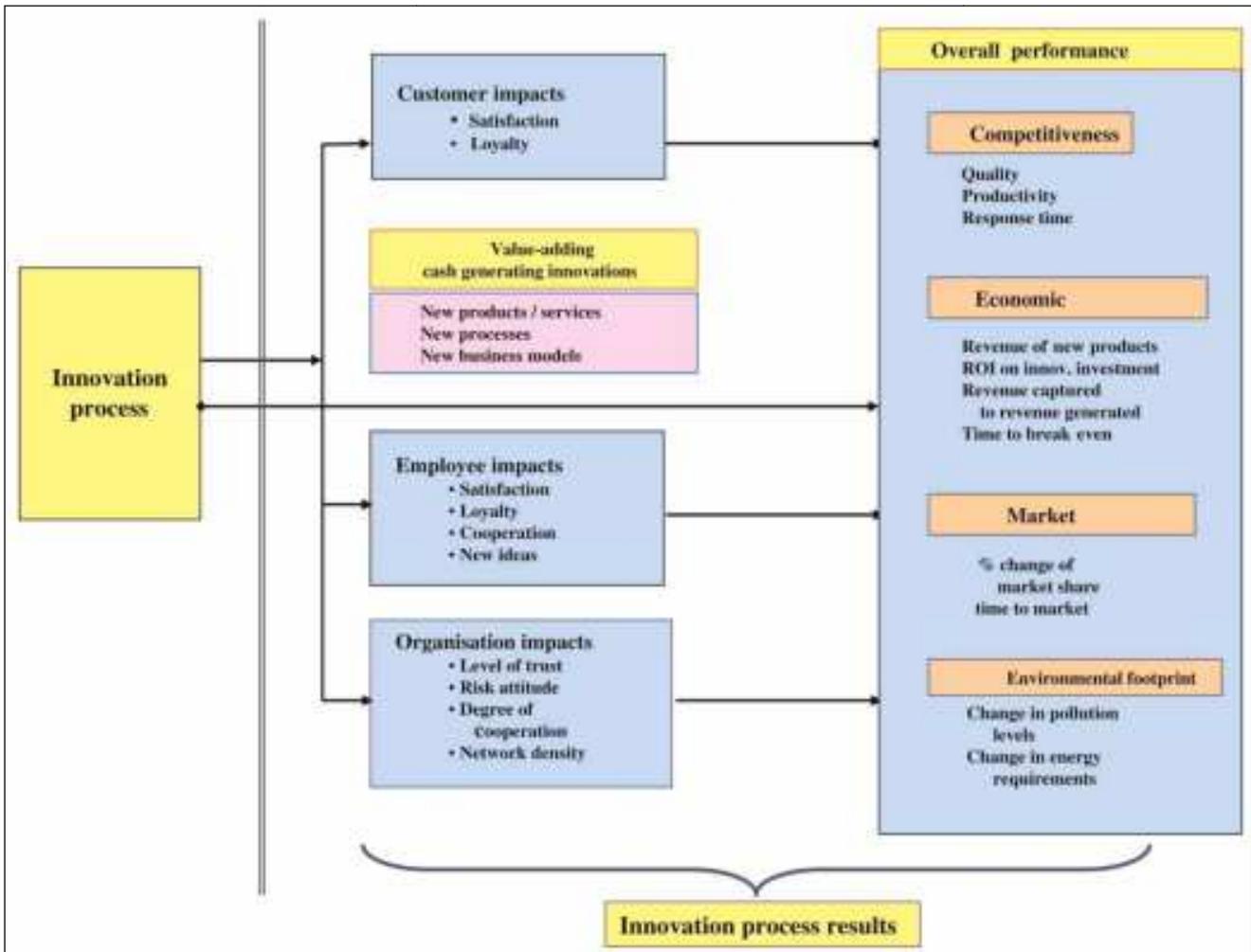


Figure 5. Results of innovation process [20].

This process is analyzed for each of the four added value phases: generating new ideas, selecting specific innovation projects; developing new products through prototyping and commercialization. The results and benefits of the innovation process include the following:

- the impact on customers, as customer satisfaction increased to products / services that offer greater value, together with increased loyalty towards the organization

- the impact on employees, as employee satisfaction increased loyalty and led to greater cooperation within the organization
- the impact on the organization, as the level of confidence increased, leading to a healthy attitude towards reasonable risks and a higher degree of cooperation
- overall performance improvement, measured by revenue from new products

## 4. Framework to Support Innovation

Supporting innovation, measuring and improving the efficiency of national innovation systems are the most important issues and priorities in Europe, especially the mechanisms and measures to support innovation, turning research into new products and services. There are many definitions of innovation support measures, but herein we will mention the most widely applied definition suggested by Reid and Peter: "an innovation policy measure can be defined as any action taken or (co-) financed by the public sector in order to influence innovation processes and capacities in enterprises"[21].

Four types of action policies can be identified within this definition:

1. Provision of financial resources directly to enterprises to support innovation processes (Modality: State aids, R&D funds, Innovation projects, Public procurement).

2. Provision of financial resources to organization functioning such as innovation-related service providers or intermediaries which support innovations in enterprises and/or connect research and business actors (Modality: knowledge and technology transfer, business incubation innovation management training, infrastructural development for new-technology based firms, entrepreneurship policies for start-ups).

3. Creating and coordinating knowledge exchange among actors in innovation system by public authorities through establishing public-private partnerships (Modality: transfer and exploitation of research results, mobility of personnel between two sectors of academia and business, information and best practice diffusion, demonstrator projects, networks and clusters).

4. Creation of new institutions, as a kind of legal framework, that indirectly affect innovation process in enterprises (Modality: Legal framework, Tax and financial incentives, support to protection of IPR, standardization & certification, administrative simplification).

A version with innovation support measures divided into 5 categories was developed:

1. Improving the management of innovation and strategic information in order to draw up policies;

2. Fostering an innovation friendly environment;

3. Encouraging the transfer of knowledge and technology to enterprises, as well as the development of innovation poles and clusters;

4. Promoting and supporting the creation and growth of innovative enterprises;

5. Strengthening entrepreneurial innovation, including intellectual property protection and commercialization.

## 5. Conclusions

The competition on the market is increasing and in order to be competitive an entrepreneur must adopt innovation as his weapon and thus to overcome competition.

Our research has shown some key aspect that every

entrepreneur must be aware of. One of the aspect is the management support, this is the beginning of the innovative thinking for every company, but the managers must have an active support not only to approve the new innovative way of thinking but also a more active support such as employees motivation or the provision of training and development programs.

Another aspect is related to the involvement of the employees in the innovation process, and for this an environment where every employee can freely expose his ideas.

The rewarding of employees, they should be rewarded accordingly and here we do not mean just a monetary reward but also an emotional one, such as public recognition of their merit in the company.

The resources of the company must be intelligently allocated and the culture must be an innovative culture where it is possible to take the risk, to embrace constructive failure to obtain extraordinary results.

We can conclude that the future entrepreneur must be an innovative one, a more creative, flexible and communicative one. The future entrepreneurs must have confidence in their abilities; they must be brave to express and support innovative ideas; they must be ready and willing to make responsible decisions, in other words to be willing to take a moderate risk.

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