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## **CONTRIBUTION OF INNOVATION STRATEGIES TO ENTREPRENEURIAL COMPETITIVENESS**

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■ **Abstract:**

*This paper focuses on the theoretical approach to innovation and innovation strategies. It focuses on the importance of innovation strategies as well as their contribution to competitiveness strategies. Theoretically approach to the connection between innovation strategies and competitiveness were applied.*

*In order to examine the importance of the innovation strategies, analysis and synthetic methods were used. Also induction and deduction were used to examine theoretically relevant aspects of innovation strategies and their contribution to competitiveness. Theoretically relevance and connection between innovation and competitiveness were analyzed. After analyzing the theory concerning innovation strategies and competitiveness strategies, it was founded that innovation is one of the key factors for achieving a sustainable competitive advantage. Innovation strategies were found one of the most important strategic factors which lead companies to achieve results and gain success. Innovation strategies and competitiveness strategies were found strongly connected between themselves.*

*Based on analyzed theory, it should be visible that innovation and innovation strategies are very important in today's modern way of doing business. Innovation strategies are in a positive relationship with competitiveness strategies and innovation has the key role. Innovation strategies should be observed as one of the major factors in obtaining and achieving competitiveness. Today, in front of the world globalization process, enterprises should gain their competitive advantage by using innovation strategies and by seeking creative solutions for their businesses.*

■ **Keywords:**

*innovation strategies, competitiveness, sustainable competitive advantage*

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■ **INTRODUCTION**

*In the first part of article will be explained the definition of innovation and different approach to it. Innovation cannot be separated from creativity as it is an important part of the process of innovating. There will be further explained the four p's of creativity and innovation and its relationship among each other. Innovation strategy types will be listed and explained also.*

*The second part will be about innovation strategy and its different types. Firm can choose among different ways to innovate their selves and choose between innovation strategy which is more appropriate to them. Innovation*

*strategies will be shown and explained each. In the third part of this article will investigate about competitive advantage and how innovation strategies can help to keep sustainable competitive advantage. Will be shown that we cannot separate innovation from competitiveness and firm strategy. Also will be shown different types of innovation strategies which help firm to maintain the profit from innovation activities. The block, run and team up strategy will be explained further.*

*At the conclusion the impact innovation strategies have to competitive advantage will be described. Innovation strategies are one of the*

key success factors for sustainable competitive advantage. Innovation cannot be divided from strategy and competitiveness.

**INNOVATION STRATEGY**

Innovation is the process of generating something new that has a significant value to an individual, a group, an organization, and industry, or a society. The result of the innovation process is an innovation – a creation that has significant value. There are many creative ideas and concepts that have value but may not have significant value in their application. Thus, they may not be innovations. [1]

Innovation is the use of new knowledge to offer a new product or service that customers want. It is invention plus commercialization. It is according to Porter, a new way of doing things that is commercialized. The process of innovation cannot be separated from firm's strategic and competitive context. [2] Figure 1. show how new products, low cost, improved attributes and new attributes depend on competence and firm assets. New technological knowledge and new market knowledge also, depend on each other but each separately interferes with firm assets and competences. New knowledge technological and market, contribute to firm competences and their assets.

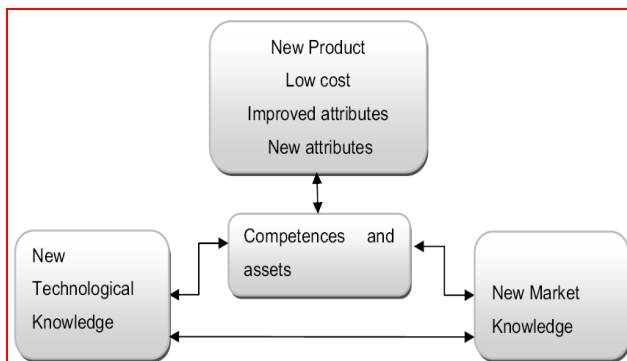


Figure 1. Innovation overview

Firm competence and asset determine the innovation of new products, gaining low cost products, contribute to improve attributes but also to create new attributes which will help firm in competitiveness.[2]

Innovation cannot be separated from creativity. Creativity is the process of originating something new that has value.[3] There are many original ideas but as they do not have any value, they can't be considered as creative. For

being innovative firms need to go more beyond creative and learn how to turn good ideas and change into innovation. Firms need to struggle in high competitive environment and face with many challenges if they aim to survive in business market. [2]

It is important to understand the four p's of creativity and innovation: product, possibilities, process, personal creativity.[4] The product should have significant value to be innovative.

"The result of the creation / innovation process; can be a physical product or service or an enchantment to either a process improvement or a marketing or management improvement". The possibilities of innovation according to J.M. Higgins do not exist. The organization culture does not encourage or require creativity so neither the innovation process can't be realized. The four p's are important to understand innovation creativity and process to gain it in firm.

Creativity, process and personal creativity are one of the most important attributes in the firms. The innovation process need organizational culture but also possibilities to grow. Innovation is strictly related to each of them and they are strictly related to innovation. The process is used to improve creativity and individuality. Personal creativity is freeing yourself from the restrains on creativity that are the result of early socialization.[3]

The four p's relationship to each other is shown in Figure 2.[3]

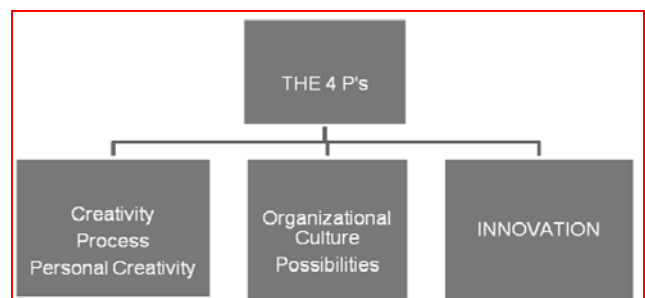


Figure 2. The Four P's relate to each other

The prices of creativity can be increased by learning the processes and improving personal creativity in order to do that firm needs to have possibilities and the result of it is innovation.

There are four types of innovation: product, process, marketing and management.

- Product innovation is a result of new product or services or enhancements to old product or services;

- *Process innovation is result of improved process in the organization;*
- *Marketing innovation is related into marketing functions and promotion, pricing, distribution as well as product development;*
- *Management innovation improves the management of the organization.*

*As a conclusion it is possible to say that innovation in managing the organizational economic functions – marketing, operations, finance, human resources, R&D and management is what separates successful companies from the others.[5]*

### ■ INNOVATION STRATEGY TYPES

*Management innovation is innovation that improves the organization's management. Innovation strategy is the way organizations react to the market challenges. They have many choices respect their innovation strategy:*

- *to innovate or imitate;*
- *to pursue R&D or search development;*
- *to focus on product or process innovation;*
- *to invest in old or the new;*
- *to use "big bang" or continuous innovation;*
- *to be driven by market forces or by technology;*
- *to have selected or total commitment;*
- *to do basic research or applied research;*
- *to use speed strategies. [4]*

#### **Innovate or Imitate Strategy**

*Companies can choose between innovate or imitate others. By simply imitating else's products without any improvement will not result in a competitive advantage. In case imitation leads to low production costs it can be a possible strategy. If firm chooses innovation as their strategy it is more visible and possible the can gain and sustain competitive advantage. But by choosing product innovation alone it will not sustain competitive advantage. [6] Product and process innovation will both lead to a sustainable competitive advantage which organizations aim to achieve.*

#### **R&D or S&D**

*Firms need to achieve innovation and they need to decide how they will do it. S&D leads to the acquisition of firms for the purpose of obtaining their products or services. It may lead to joint ventures or to the licensing of other firms product and services. The major focus of R&D based firms is how much should they spend measured in percentage of sales.*

#### **Product or Process Innovation**

*Product R&D funding has long been understood to contribute competitive advantage. Research show that both process and product innovation are necessary to obtain long term competitive advantage. As it was mentioned before, innovation alone can difficult create a competitive advantage. Sufficient fund should be transferred in R&D departments.*

#### **Invest in the Old or the New**

*Innovation is the attacker's advantage. Recognize that they must be close to ruthless in cannibalizing their products and processes just when they are most lucrative, and begin to search again, over and over."[7] The S curve shows that at the beginning, at the bottom of curve, there must be a large investment before performance. After the breakthrough happen, technological progress is great and investment is relatively small in the middle of the curve.*

*The cost of achieving more progress increases again but the rate of progress decreases. At the top of the curve firms must decide when to stop investing or not. So they need to choose to invest in new or old. Today one of the main issues on which firms are fronted is the fast changing product and competitive world market growing rapidly.*

*R. Foster observe that products and processes follow a S-curve as relationship between effort and performance as shown in Figure 3.[3,835]*



Figure 3. The S Curve

#### **Big Bang or Continuous Improvement**

*Big Bang is the major innovation on which new products and processed are based. Such innovations are introduced periodically every three or four year. It is consisted into improving existing products and combining them product improvements with process improvement – but it needs to be continuously.*

**Market Driven Vs Technology Driven Strategy**

Firm must be driven by both market and technology strategy. In order to obtain a competitive advantage firm must be active and proactive and always be aware of market forces.

**Selected Vs Total Commitment**

Firm that obtains a sustainable competitive advantage involves everyone in the firm in improving processes and products. They can choose to depend on R&D or they can involve everyone. For instance, in a single year Toyota submitted 860,000 suggestions and implemented the 96 % of them. In Japan about 66 % of employees regularly submit suggestions which are compared to 8 % in the United States, a significant indicator of innovation attitude. [3]

**Basic Research Vs Applied Research**

Firm needs to pursue on both, basic and applied research. It is the only way to gain for sustainable competitive advantage and improve products constantly.

**Speed Strategies**

Speed and being proactive is becoming more and more important and crucial in gaining competitive advantage. The major focus is on speed. Firms adopted product covering as an instant imitation of other firms product. Product churning is rushing new product to market without conducting market research.

**COMPETITIVE ADVANTAGE AND INNOVATION STRATEGIES**

Competitive strategy focuses on what firm wants to achieve on the market and its basic options to it. Competitive advantage addresses the issue of how it carries out those options.[8] After firm faced with globalization and worldwide market but also competition, gain a sustainable competitive advantage become critical for success. To be competitive firm needs to obtain many goals but one of it is securely innovation. Increasing the world market by globalization process firm must take a global perspective and find their advantage among global competition. As it was mentioned at the beginning of this article, the process of innovation cannot be separated from firm strategic and competitive context. If a firm wants to be competitive it needs to be proactive and to innovate themselves.

There are two kind of innovation impact on firm, incremental and radical. Radical innovation is the technological knowledge

which is very different from the existing one, while incremental innovation is knowledge required to offer a product builds on existing knowledge.

To be innovative, firm needs to have sufficient funds to finance new products or new processes. They profit from using new knowledge to offer products at lower cost than competitors.

It can be difficult for firms to recognize the potential of innovation. Even if they do recognize their potential there is always a possibility other firms recognized the same and are trying to profit from it too. Firms front other co-opetitors who are also interested into being the first on the market and gain the competitive advantage. Co-opetitors can be suppliers, customers, competitors and complementary innovators who also firm must collaborate to succeed. [9] It is important firm knows who their co-opetitors are. Once firm gain competitive advantage by innovation they need to know how to maintain it. There are three strategies to maintain the profit from innovation. By maintaining the profit the advantage should be maintained also.

The strategies are shown on the following Figure 4. [2]

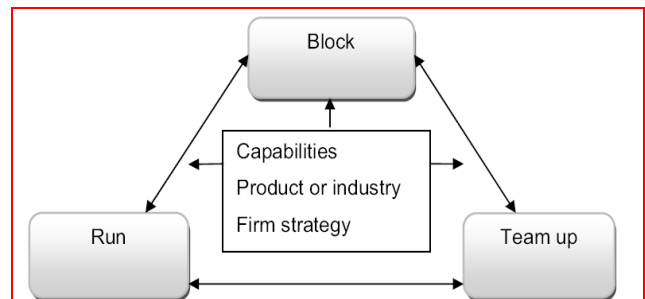


Figure 4. Combination of different strategies to profit from innovation

In the figure is shown how firm can protect its profit from a combination different strategies.

The block strategy is how firm prevent entry by others like by protection intellectual property, brand name or distribution channels. In run up strategy firma act proactive and offer its own products. The team up strategy firms invites entry by licensing, copyrights, trademarks or similar cooperating. The combination of all strategies allow the firm to act as any phase of its evolution need better. In the global environment firm aim to keep its competitive advantage by innovating itself and being ahead of the competitors. [2]

**Block strategy**

Competitive firms need to maintain their position on the market and it is possible by prevent the entry of other competitors. In the value chain each stage is unique and inimitable so firm can limit the access to them by keeping out the competitors. Firms are all equal to perform those same activities and incumbents may still be able to prevent entry by giving post entry price. Block strategy works in equal and inimitable industries.

**Run strategy**

Innovators must run for their innovation and profit from it. They must always be ahead of the competitors and innovative enough's to built new capabilities and introduce new products more rapidly than others. The environment is changing fast and firm must adapt to is as better as it can. Running can give a firm advantage in product and process which is the most important in competitiveness among entrepreneurship.

**Team up strategy**

When firm decide to use team up strategy to continue profiting from innovation, they cooperate with others. It can be as strategic alliances, venture capital, and acquisition.

Strategic alliances can be joint ventures, licensing, agreements, distribution, co-marketing agreements, technology agreements, design agreements, or other agreements to cooperate in adding value in firm's value creating activities. Firm needs to be useful to each others to team up together. They need to get something one form the other and vice versa, to enter in cooperation and profit from innovation together.

Usually are used all three strategies to maintain profitability. First fast technological changes may suggest to use bloc strategy to prevent entry of competition. But firm may also need to run to innovate to keep their market position and along with it, competitive advantage.

Sometimes for firm may be better to team up in order to exploit technology and market unavailable to the firm, and in gain competitive advantage. In order to gain and keep competitive advantage firm need to combine innovation strategies in different phases to maintain its advantage and profit from innovating.

■ **CONCLUSION**

Competitive advantage is hard to achieve. Firms are faced with global market and global competition. Each of them try to find its own way to be competitive but in today's changing market, they need to be fast. The major goal to achieve is be better and more ahead than competition. Innovation in product but also innovating in the process has a key role in achieving competitive advantage.

By innovating product and process firm is always ahead of its competition. In global competitive environment it is become crucial to be innovative. Firms adopt their own innovation strategy and try to maintain their profits from innovating. Once firm obtain competitive advantage, innovation strategies can help to gain a sustainable competitive advantage. It is possible to decide to use block, run or team up strategy but it is always important to be proactive and one step ahead towards competition. Innovation and innovation strategies are crucial in the attempt to sustain the competitive advantage. Firms who don't innovate themselves can't be competitive on global market as the ones which innovate. If a firm wouldn't do any innovation in business or its process wouldn't be much competitive among others which do innovate. Firm can innovate, imitate, research, innovate product or process, use speed strategies or continuously improve itself but they need to have innovation strategy incorporated into their management plans in order to maintain competitive advantage or gain it.

"Entrepreneurship is an activity that involves discovery, evaluation and exploitation of opportunities to introduce new goods and services, ways of organizing, markets, processes, and raw materials through organizing efforts that previously had not existed" [10] so we can say that without innovation there is no competitive advantage in entrepreneurship. In order to accept that innovation has today increasingly important role in firm's growth and survival, it becomes crucial to identify the sources from which innovative ideas origins. [11] Innovation and creativity but above all innovation strategies become one of the crucial factors in gaining competitive advantage in new entrepreneurial changing environment.

*"Innovation distinguishes between a leader and a follower." Steve Jobs*

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