

Review work

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INNOVATION AS AN ECONOMIC CHARACTERISTIC IN COMPANIES' DEVELOPMENT IN THE FUTURE

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Abstract: Innovation and innovative companies that are committed to the achievement of a better market position and therefore higher profits are characteristics of largely successful companies in the turbulent world market. Among other things, innovation in solving problems involves continual improvement of our business through the generations of new ideas and practical ways of doing things in order to solve the problem and gain competitive advantage. Innovative companies are required makers of modern politics because of their undeniable importance in the development and provision of business activities and their impact on improving environmental protection and risk reduction in the distortion of climate change. Innovation does not only represent a new technology or new products, but it also implies new and smarter ways of doing business, new management, new business systems or new services. As a result of the interaction of innovation and globalism, the concept of innovation management and innovation systems developed in response to increasing demands for competitive advantage of innovation processes in a form of growing importance and unquestionable influence of relevant external factors.

Key words: *innovation, innovative, competitive advantage, new technology*

INTRODUCTION

The future is looking for capable people, the creators of new spiritual and material values, and inventors of new things and relationships. One thing we can be absolutely sure of, the world is looking for changes, and it is recognized as innovators and harbingers of implementation of a new and prosperous era. Only in man, in his strength, knowledge and inventiveness, we can expect the output of the current problems faced by most countries in transition. Serbia definitely belongs to the circle of countries in transition, and in order to attract foreign investment can leverage innovation as important, if not the decisive factor, to its future development directed toward knowledge and creativity. However, in this way we need the changes in education (adapting the education needs to the market), in a market regulations (monopolies, consumer protection) and changes in our consciousness (personal motivation, entrepreneurial spirit), because most of the changes that we are facing are of social nature.

The image of our world is changing rapidly. We are witnessing the emergence of a new economic paradigm based on the information society as the most important good. The emphasis of economic development is markedly shifted toward activities that are based on knowledge, information and high technologies and services, while traditional activities become self-supporting, without significant stake in global prosperity. The founder of the Institute for the global future of San Francisco James Canton, which is also known by the nickname Dr. Future, argues that all economies - local, regional, national and global - but exposed to strong influence of innovation, will magnify the impact of a thousand times in the next fifty years. The trends of globalization and concentration of daily changing competitive scene and the rules of market competition are: the world's best companies are becoming larger, associating with yesterday's competitors and completely changing industrial relations. Such horizontal integration creates large business systems with hundreds of thousands of employees and financial strength stronger than most national economies.

Innovation and Competitive Advantage

Innovation is the specific tool of entrepreneurs, the mean which they use to change, as an opportunity for the execution of various production or service activities¹. Other authors² consider the innovation as an essential part of entrepreneurship and entrepreneurial activities. Entrepreneurs need to explore in a meaningful way possible sources of innovation, changes and their symptoms that indicate opportunities for the realization of successful innovation. Innovation can be represented as the newly formed idea, product, service or process that is able to promote the competitive advantage of a nation, region, industry, business organizations, individuals, or some combination of all of these categories. Innovation creates new value - economic growth, solutions, profits, greater market share and return to investments.

Innovation in business terms includes a much broader concept than development of new technologies, products or processes. The task of the entrepreneur is far wider than the innovation itself, and it is an appropriate means of production in relation to innovation, as it implies that the innovations introduced to the market in order to offer appropriate value for the customer, while at the same time enable the achievement of a positive business relationship for an organization that is the holder of innovation.

Innovative product or service must be produced profitably, despite the fact that it is distributed, sold and defended from the competitors as a well-managed and controlled organization. There are concerns that are often repeated - is it the manager who innovate also an entrepreneur. Basically it can be concluded that it is not, because if we observe the degree of innovation and change that is introduced, then there is only one part of the activities of entrepreneurs and that is the concept of the entrepreneur that is far more complex.

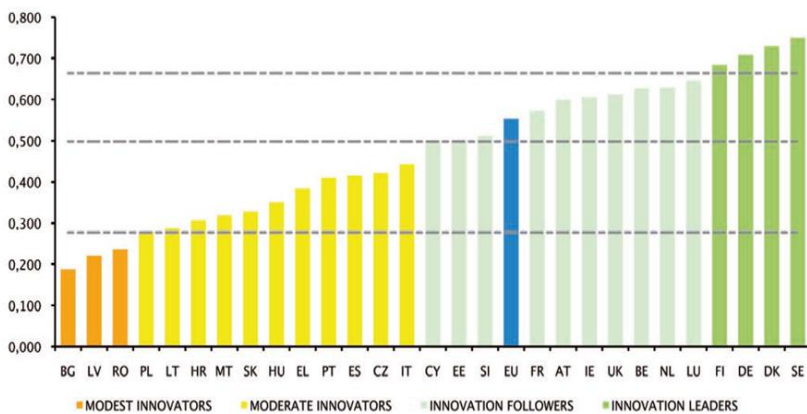
¹ Drucker, 1996: 35

² Wickham, 2001: 7

The division of types of innovation to radical or incremental, detailed analysis of the extent and nature of changes that innovation brings, is the basis for the delineation of the types and degree of innovation which improves the position of manager entrepreneur. On the other hand, every entrepreneur who is a manager at the core of its activities puts innovation, which means that every entrepreneur innovation manager, as a good manager in the modern era is always open to innovation and his competitiveness is achieved by his innovation strategy.

When looking at the data from the European statistical bulletin for 2013 we see the relationship of the national economy performance and implemented innovation as well as the position of a particular national economy in relation to the European average.

Figure 1: EU Member States' innovation performance



Source: Statistical bulletin of the EU 2013.

As it can be seen from this figure EU countries in the field of innovation performances are divided in the following groups: leaders in innovation, innovation followers, moderate innovators and inventors who have modest effects. Countries that joined the EU in recent enlargements of the community, clearly show that their economies need to seriously address the systemic solutions in the field of innovation and greater engagement and providing system support to its innovative companies, if they want to maintain some kind of pace with the economically developed market economies in Europe.

Each contemporary organization, including the companies must strive to anticipate their future, in order to come to the knowledge of what will probably happen in the future in order to make the right decisions about production, what to produce, how much to invest, how to hire new workers, what will be the new technology used and the like. Thus, technological forecasting must answer questions that major uncertainties exist in the development of technology, what are the significant achievements needed to be able to use the potential substitutes, at what speed they will develop,

disseminate technologies and so on. The predictions cannot be avoided, although each activity which is undertaken is based on vague (implicit) predictions of the future, and what technological predictions are trying to do is to make these uncertain predictions relatively safe (explicit). Of course, no one is able to predict the future perfectly safe, but technology forecast can be based on analysis of past trends and future opportunities and to reach certain knowledge about the technological developments that will probably happen within a certain period of time.

However, forecasters and analysts should not restrict their activities to predict changes in the area in which the company realizes its business activity. If they behaved, whereby not take into account other developments in the region it could easily happen surprise for the enterprise, from the "impasse", after which there would be a question of survival of the company. As an illustration of the above statements, we can mention the textile companies, which have not paid attention to the technological development of the chemical industry, which has launched a new artificial fibers and thus the existing technology in many enterprises from this branch overnight become obsolete and the company is not competitive.

When a company makes profit that exceeds the average within their industry, it has a competitive advantage over their competitors. Therefore, the goal of most business strategies or management of companies is the achievement of sustainable competitive advantage. Unfortunately, we are witnesses to the fact that during the planning of economic development in Serbia, one cannot avoid the conclusion that the competitiveness of the Serbian economy is at a very low level, which is one of the key problems of today's economic policy makers for the future. The competitiveness of the economy is directly determined by productivity, i.e., the competitiveness of its companies, and because of this fact we cannot say that a competitive economy, while keeping their own products and services that create its uncompetitive. Today's enterprises operate in a very uncertain environment and the consequences caused by the global financial crisis of 2008 are still being felt, and efforts aimed to end the crisis are overcoming the recessionary tendencies and establishing trust in key market. Institutes, financial institutions and more modern financial instruments still do not give adequate results (Greece, Portugal, Spain ...).

However, new needs are born every day, demand is expanding and changing, markets are becoming more demanding and more specific, the creation of new industries and the entire industry "clusters"³. Stronger competition in all sectors, accelerate the research and development cycles, technology is improving and changing, products quickly become obsolete, and new ones are born even faster.

Control problem is that companies are becoming increasingly complex and business management requires increasing competence and management flexibility. To have a good business is no longer enough, you simply have to be the best. The strategy must create the conditions for enterprise survival in the

³ Tipurić, 2009

"long run". The core of a successful strategy is to achieve better results than the competition. There is no unambiguous guarantee of success, nor certainly successful strategic decisions.

The long-term success cannot be built based on the instruments and techniques that are, more or less, successfully used. The competitiveness of enterprises is becoming a key issue - how to be better than other companies. The companies to be found as equal participants in the market, must be operationally successful and superior throughout, but only some of them, the best ones, will have above-average profits. Operational performance - which was a key to the success of Japanese companies in global markets in the eighties - is an important assumption of superior profitability, but not sufficient. Operating performance is reduced to performing similar activities better than rivals, while strategic positioning towards competitive advantage means performing different activities from rivals, or performing similar activities in different ways. It is necessary to be different in order to become better. To be competitive today is no longer a question of success but a matter of survival. Construction and constantly increasing competitiveness have become key tasks for a manager in an attempt of achieving development goals and one of the greatest challenges in the future. Businesses need to strive for the greater flexibility, innovation and continuous improvement of its business. National economy in a globalized world, which is characterized by a greater degree of structural economic and social interdependence, is trying to preserve the competitiveness of adapting to the changes in the capricious market conditions. In particular, significant activity was moderate towards the creation of an innovative environment that encourages and supports active competitive and cooperative management innovation as a driving force performance of the economy and a vital factor in its competitiveness. Competitive advantage is achieved by owning or building some special features that customers seek and accept and by means which differ the company from its competitors. It may have the resources in the region, or in the company. The relative nature of competitive advantage eliminates every possible consideration in absolute values. The competitive advantage of enterprises can be determined only in relation to competitors, and to have the companies that are significantly better than their competitors. Otherwise, making a competitive advantage is not only an important goal for those companies that can compete in conditions close to perfect competition (a very large number of small competitors only), which is a very rare occurrence, but as well for companies which have their existence in the activities of natural monopolies or long-term sustainability. Every second, which means imperfect market structure, is ideal for gaining competitive advantage and achieve sustainable above average industrial profits. Competitive advantage is, in structural terms, connected to existing business and industry, as well as the current market.

The competitive advantage has to be maintained. The advantage over its competitors is not much greater sense unless it can be moderately and quickly neutralized. The benefits can be drawn only with possession of a sustainable competitive advantage, that is not easy to imitate or overcome, and that the company is capable to effectively protect it for a certain time. Competitors can imitate the benefits of the company in two ways. One's own

repositioning the position of a company that has a competitive advantage, and the other way is to try exploiting the benefits of both successfully achieved position while maintaining the existing situation. What characterizes the market competition and economic phenomenon in modern conditions at the global level is its relativity and volatility. Dense networks of participants and the structural changes that have swept the world at the end of the last century, as a result had expanding of the competitive struggle, its intensification and diversification. A strong interweaving at the international level has led to the demolition of past sovereign economic forces and reported to a world without monopoly in international trade. At the same time, much of the national economy has become vulnerable due to these shifts and changes, while the other factors that caused them were getting less under their control. Competition (regarded in terms of geography and goods) almost lost the local attributes and has become international and global in form, shape and intensity. In many market segments, the emergence of new or so called non-traditional participants significantly contributed to the intensifying of the competitive battle.

ENTREPRENEURSHIP AND INNOVATION AS AN OPPORTUNITY FOR THE FUTURE DEVELOPMENT OF THE COMPANY

Entrepreneurship is a very important development resource as well as action-oriented way of thinking, which focuses its attention on the innovative behavior and thus has a major impact on economic and overall social development of each national economy. Entrepreneurship development is set as one of the priority tasks of states in transition that are in arrears with structural reforms, especially that are late of transforming public enterprises, which in addition to their poor business results faster hinder the development of entrepreneurial initiatives. Improving competitiveness and the creation of a modern market economy is a development priority and the basic principle of integration of the countries aspiring to become full members of the EU.

In the Republic of Serbia economic activity, entrepreneurs, small and medium-sized enterprises play an important role as shown by the statistics of their participation in the national economy, according to which small and medium-sized enterprises make up over 98% of the total number of enterprises in the Republic of Serbia. Some estimates indicate that this sector contributes with more than 35% of the GDP creation. This sector has more than 900,000 employees, with achieved two-thirds of total turnover and followed by 46% of exports and 60% of imports. At the same time, this sector is very active in terms of investments, bearing in mind that slightly over 58% of the total investment is implemented precisely in this sector (www.merr.gov.rs).

Access to capital is a particularly important issue for the development of entrepreneurship and small and medium-sized enterprises, especially in crisis circumstances, with all existing transition difficulties. Due to weak domestic banks and unfair competition with far superior and financially stronger foreign banks, companies were in a position to borrow at very unfavorable conditions with high interest rates which resulted in a large number of bankruptcies of small and medium-sized enterprises. The funds that

the state has begun to set up to support the development of entrepreneurship and small and medium-sized enterprises were granted by unselective credit loans, but mainly the same companies received credit lines at very favorable conditions. In the future, the Republican administration should work harder on the projects for which funds are allocated from EU funds and which are designed especially for small and medium-sized enterprises, in terms of training or further education of entrepreneurs about ways and conditions for application to the contest of the EU.

Analyzing the environment in which entrepreneurs realize their activities in Serbia, despite all reasonable objections, it must be noted that a lot has been done to improve the overall business environment. As a positive example we can mention the adoption of the Law on Registration of companies to commercial register, which will certainly facilitate the establishment of companies in the territory of the Republic of Serbia. The required time for the establishment of the company has been significantly reduced, the "scissors regulations" were brought, which abolished many quasi-fiscal levies and there are certain incentives for attracting both foreign and domestic investments (bonuses for new employees, bringing up the infrastructure "technology parks", etc.). All these activities are undertaken in order to raise awareness of entrepreneurship and to indirectly direct a large number of the currently unemployed or young professionals who attend various educational profiles.

However, we should be pragmatic and realize that the investment climate is not the same as the business environment. To improve the business environment, first of all it is necessary to create equal conditions for all entrepreneurs - both foreign and domestic, larger ones and the small ones. The fact is that in the past entrepreneurs and owners of small and medium-sized enterprises in our country received far less attention from the executive and legislative powers in relation to the large domestic enterprises and foreign investors. One of the reasons for this situation is that entrepreneurs and owners of small and medium-sized enterprises are not well organized and that there is no single body that represents the small and medium enterprises and entrepreneurs, which would lead to improving the business environment for development of small business. Significant opportunities for SMEs is provided through the activities of the National Alliance for Local Economic Development (NALED), whose mission is to encourage a dialogue of local and national authorities, institutions and the private sector, and thus allow the creation of economic environment that will have the task of facilitating business in Serbia attracting new investments and accelerate economic development. NALED and the International Republican Institute (IRI) have launched an initiative for the establishment of the Parliamentary Group / Economic Caucus of the National Assembly of the Republic of Serbia. Economic Caucus was established in November 2014 with the aim to actively contribute to the improvement of conditions for economic development and business in Serbia. Economic Caucus works to improve the business environment in Serbia through advocating institutional reforms with the active participation and cooperation with industry, municipalities and citizens.

Key activities of the Economic Caucus are directed to:

- Ensuring that issues related to economic development are mentioned in all the relevant parliamentary debates and decisions;
- Submission of bills amendments in order to support the objectives of regulatory reform,
- Participate in the draft legislation, public hearings, debates and presentations concerning economic development,
- Cooperation with organizations, professionals and entrepreneurs, in order to improve legal solutions or implementation of projects related to economic development,
- Initiation of the National Assembly, the Government and relevant ministries reports on issues and legal solutions related to economic development⁴

All undertaken activities and reforms are aimed at affirming entrepreneurship and improving the business environment, especially what entrepreneurs and most interested of, which is area of administrative procedures, legal regulations, tax policies and others. Most economic analysts agree of the samebase, which is the fact that politics in our country still has too much influence on business conditions and the competitiveness of our businesses. Although it is not disputed that they made serious steps towards improving the business environment, still much remains to be done to ensure satisfactory business environment. Certainly the global crisis caused a reduction of interests from foreign investors and hampered privatization of the remaining state-owned enterprises, but it is also important that the Government is committed to the process of privatization of the state-owned enterprises to an end, then those companies are also in perennial bankruptcy or insolvency proceedings or finish, ensuring the healthy parts to be restructured into individual companies and thus begin to behave responsibly towards all employees without favoring any sector of the economy.

CONCLUSION

Entrepreneur is considered to be the person who decides on the allocation of specific resources to the practical implementation of certain innovations. Since innovation is considered to be a specific instrument of entrepreneurship, they are agents of change, and the entrepreneur is the one who has no prejudices, nor opposition to change. In the context of changes treatment it is necessary to make a distinction between "proactive" and "reactive" entrepreneurship. "Proactive" Entrepreneurship is an active and creative variation of entrepreneurial behavior, which is based on the fact that I am an entrepreneur who needs to create change and not just to react to them. "Reactive" Entrepreneurship refers to passive variant of entrepreneurial behavior that is based on the view that all competitors are of approximately the same power and you do not have the capability for some radical changes that would make them to step away from the others.

The benefits of modern development will be made available to countries around the world, if they are willing to innovate and cooperate in the implementation of the free business environment with a focus on integrity and the rule of law, increased investments in information and communication

⁴www.naled-serbia.org

structure and to invest in the education system in order to create the best equipped and trained personnel for work in the conditions prevailing in modern markets. Education has become a driving force of business benefits of the global economy, and human capital has replaced physical as a source of competitive advantage.

In times that are ahead of us, entrepreneurial and innovative activity should be directed to launch of new business activities, to obtain the necessary resources, creation of organizations to take advantage of business opportunities that appears on the market, as well as continuous innovation and creativity in all aspects of risky business activities to achieve profits. Entrepreneurs must choose a strategy that stems from business enterprise circumstances in the economic and social environment in which they operate in different incentives and constraints. Properly chosen strategy of the company should provide the most convenient way and put realization objectives, in terms of competition and under the influence of dynamic environmental changes.

Proactive operation of enterprises in the future should allow the company to anticipate change, or market demands and to react to them using own adequate measures among the first in the region.

INOVATIVNOST I INOVACIJE KAO EKONOMSKA OBELEŽJA RAZVOJA PREDUZEĆA U NAREDNOM PERIODU

Doc. dr Dejan Gligović

Apstrakt: Inovacije i inovativnost u kompanijama koje su opredeljene za ostvarivanje što bolje tržišne pozicije a samim tim i većeg profita, karakteristika su uglavnom uspešnih preduzeća na turbulentnom svetskom tržištu. Između ostalog, inovativnost u rešavanju problema podrazumeva neprestano unapređivanje poslovanja kroz generisanje novih ideja i praktičnih načina obavljanja stvari u cilju rešavanja problema i zadobijanje konkurentne prednosti. Inovativne kompanije potrebne su kreatorima savremenih politika iz razloga njihove nesumnjive važnosti u razvoju i osiguranju poslovnih aktivnosti, te njihov uticaj na unapređenje ekološke zaštite i smanjenju rizika u narušavanju klimatskih promena. Inovacije ne predstavljaju samo nove tehnologije ili nove proizvode, već one podrazumevaju i nove i pametnije načine obavljanja poslova, nove metode upravljanja, nove poslovne sisteme ili nove usluge. Kao rezultat interakcije inovativnosti i globalizma nastao je koncept inovacionog menadžmenta i inovacionih sistema kao odgovor na sve izraženije zahteve za ostvarivanje konkurentnosti inovacionih procesa u vidu sve većeg značaja i neospornog uticaja relevantnih eksternih faktora.

Ključne reči: *inovacije, inovativnost, konkurentna prednost, nove tehnologije*

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