

## INNOVATIVE MANAGEMENT AS COMPETITIVENESS FACTOR

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### *Abstract*

*Continuous partial or total improvements in the manufacturing process or services can result in higher production quality at lower cost and can lead to significant productivity gains over time. Many companies are successful in continuous improvement, through the introduction and proper management of innovation. The challenge for management is to bring the enterprise more competitive than other businesses in the same industry. The main objective of this article is to clarify the essence of the innovation management process, the competitiveness of the enterprise and to identify the relationship between them for the successful development of the company and gaining more competitiveness than other companies. The main research methods used in the development are content analysis, method of analysis and synthesis, intuitive and systematic approach, questionnaire survey.*

**Keywords:** *innovation management, competitiveness, management, innovation, manager*

**JEL Codes:** *M11, O32*

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### **1. Introduction**

Under the conditions of the market economy, there is a close link between innovation and the market, which determines the need for one or another innovation and its destiny. An important condition for achieving market success, retaining market share, conquering new markets, taking the lead in the industry, and enhancing the competitiveness of entrepreneurial businesses is innovation in entrepreneurial activity (Kyurova, 2015, p. 195). Innovative development of the national economy today an alternative without creating, learning and using new knowledge (Sotirova, 2015, p. 53). In today's business development conditions, characterized by high dynamism of the enterprise's

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external environment, introduction and realization of innovations, intensification of competition in the sectoral market, globalization of the economy, issues of innovation management and their role in enhancing the competitiveness of the enterprise. In each enterprise, it is necessary to provide conditions for the introduction of innovations, therefore, it must have such a structure and processes that imply and implement appropriate innovative behavior (Sotirova, 2016, p. 2).

Innovation is a process that needs to have a structured and organized approach and this process to be managed. Assuming the innovation process is cyclical and there is some link in successive innovation intentions and projects in the context of the company's complex marketing mix, the analysis and evaluation of the results are extremely important. This analysis should be carried out both in the internal business environment and as regards the market and the customers (Kalaidjieva, 2017, p. 52). In companies, innovation management includes a set of tools that enable the manager, marketing and sales staff, and all other departments in the enterprise to collaborate with a common understanding of processes and goals. In the increasingly widespread and intense changes, incredible awareness and competitiveness in which an organization operates, it only succeeds if it uses the full capacity of all its members (Danchova, 2017, p. 80).

Innovation management allows organizations to respond to internal and external opportunities, to use their creativity, to bring new ideas, products, services, processes or business models, and to improve their competitiveness. When innovation is an integral part of the company's strategy, the innovation process is managed in accordance with the vision and goals of the organization. Innovation is most often associated with a new product or innovation, and it is very rare to talk about business model innovations, such as those that create more successful undeniable competitive advantages. It is therefore very important for innovation to be approached horribly to be the manager - an innovation leader in the company's business.

The role of innovation is indisputable. In the business world, this is a clear imperative, for the simple reason that when a product or service is changed, the product's competitiveness can be maintained or improved. Otherwise, this may lead to a quick exit from the business. Effective innovation management requires a manager responsible for this feature to focus on

development and accordingly reduces the time for a new product or service to come out on the market. This inevitably leads to greater competitive advantages and economic benefits for the company. Innovation management is a tool that influences competitiveness together with innovation culture, innovation strategy, innovation capacity and innovation discipline that makes innovation real and sustainable to the organization. The main factor for sustainable economic growth today is the competitiveness of enterprises. In this connection, V. Kyurova points out that one of the important factors influencing the competitive economic development of the enterprise is its innovative potential (Kyurova, 2015, p. 196). The opinion of S. Timofeeva, that "one of the components of the competitive potential is the innovation potential." (Timofeeva, 2016, p. 144). Success not only in the private sector, but also globally, is increasingly due to technology and innovation, the development of new market niches and organizational innovation. Everything that can not be programmed in modern technology can only be done by people, and this is the key competitive advantage over the "artificial intellect". These are adaptive skills with constant variables, with unpredictability, with unprecedented complexity (Danchova, 2017, p. 78).

Bubenok's opinion Elena Alexandrovna is one of the clearest and shortest definitions of the link between innovation and competitiveness - innovation should not be an end in itself but the basis of the enterprise's response to changes in the external environment, to its adaptability. Therefore, the level of innovation of the company, in line with its technical, technological and social situation, must meet the needs of the market and the objective of innovative development is the competitiveness of the enterprise, determined by its profitability and investment attractiveness. In the free world market a company may become unattractive even when production remains profitable but its profitability is at the world average.

## **2. Innovation Management - the Essence of Business for a Good Future**

The innovation process is a complex system that reflects in a concentrated way the relationship science - production - consumption. This process is realized through the following main phases: generating ideas; screening and evaluation; development and commercialization of the product

(Sotirova, 2016, p. 81). Innovation management should be seen in the context of many steps that address different functional areas. The need to manage innovation often requires managers to combine technical skill, flexibility, creativity, and skill to manage projects with large financial capabilities. Managers identify many aspects of innovation management - strategy, human resources management, motivation, and so on. Integrating these aspects of governance is difficult, and innovation management therefore needs systematic encouragement. If we can summarize a definition of innovation management, it will be as follows:

- management of the innovation and investment process as a whole, not as individual cases of renovation and investment;
- covering all the functions of innovation and investment management: forecasting; planning; organization and coordination; stimulation and control;
- Taking into account the impact of the investments, both on the company and on the structure of the sector;
- Investment management takes into account both the direct effect for the company and the side effects.

*Figure 1. Pyramid of Generating and Implementing Innovation.*



*Source:* Adapted by Iliev V., In Support of Innovative Management of Small and Medium Enterprises

In the opinion of Iliev, described in his work, how the stages of development may seem - the "Development Funnel" (Iliev, 2016, p. 20) - can also be shown in a different way. The way business generates and introduces innovation can be illustrated as a 5-story pyramid that shows the process of generating the idea, selecting performance, and so on. In each of the five areas or elements of innovation management there are features to be managed. Figure 1 shows how the pyramid describes the stages.

- 1.1. First row** - Innovation strategy - Developing and implementing an innovation strategy requires the business manager to focus on a number of issues to solve. The first step is to assess the market trends and determine the need for innovation in the sector selected by the manager. Much attention should be paid to the role of technology and how to gain experience in relevant technologies. Management should identify and control the role of innovation within a company or segment of a company - product, service, process or business - innovation process.
- 2.2. Second row** - Idea - here the manager has to determine the number of ideas needed to capture and evaluate whether they meet consumer preferences for products, services, and streamlined processes. Good ideas usually merge with the requirements of the market and the company's customers. Ideas are a great number to identify the most appropriate, even if only 3 of all listed or described.
- 2.3. Third row** - Prioritization - it is necessary to generate such an efficient process that to choose the best ideas for development of the innovations. This requires appropriate tools for risk analysis and return on individual projects. Managers need to pool information across the range of projects to ensure that the portfolio of innovative projects is balanced and in line with the company's innovation strategy. Information on the decision-making process is collected so that management teams can review and draw lessons from previous cases in the future.
- 2.4. Fourth row** - Application - This area focuses on the faster and more effective development of innovations, be it a service, a product, a process, or a combination of all. The implementation process is an

area where businesses can learn and take a better example of each project so that quantitative accumulations will lead to greater future success and results. In order to achieve rapid development it is good to create efficient functional teams, prototypes and testing. The final step of the implementation is commercialization.

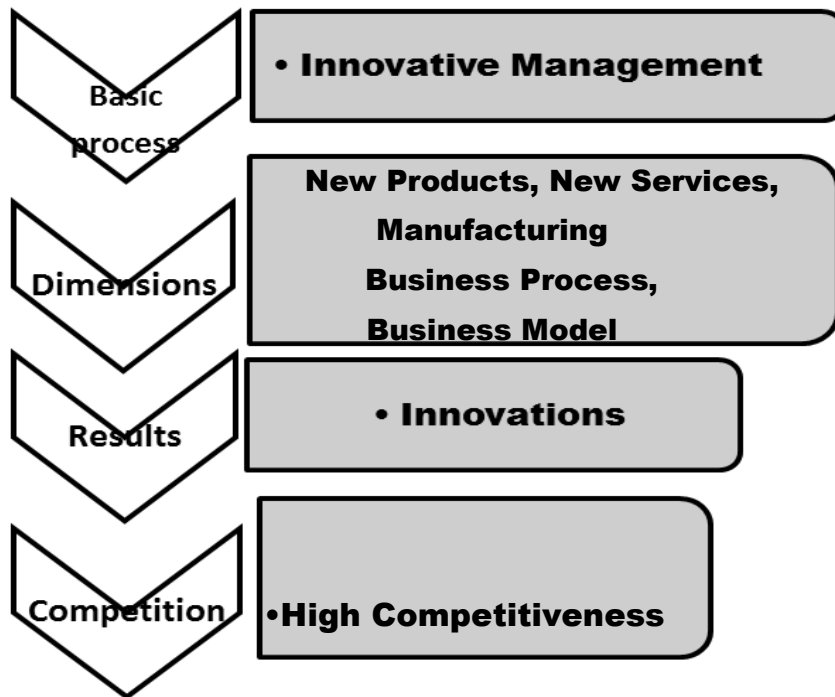
**2.5. Fifth row - Human Resources** - When it comes to innovation, there are many issues related to human resource management. The manager responsible for innovation and its management is also responsible for managing the hiring, retention and training policies, designing new venues and creating effective organizational structures. Consideration should also be given to developing effective award and recognition programs, as well as motivating staff to help implement the innovation. Since nowadays human resources management is a fairly controlled system of stages so that everyone can be encouraged and satisfied with their work on the benefits of the company.

Innovation management certainly needs permanent and long-term attention to managers. Applying novelty requires collaboration of different people with experience and skills. Innovations include workflows during which experts generate ideas or discuss "achievements", for example, this may be the start of the innovation process, problem solving, control and monitoring, and so on. Manager - Innovation is the person responsible for managing an idea within the organization and confers to the innovation argumentation. This provides the following few features:

- Such management of ideas as an area of responsibility and activities, that innovation culture is respected and sustainable;
- The commitment is permanent;
- The set of ideas is periodically updated, coordinated with the entire leadership, and implementation is assigned to teams.

In the opinion of world-renowned Schumpeter about the vision of an innovation manager, it should be as follows: the function of a businessman and the function of an inventor are completely different things. The businessman is neither the inventor nor the inventor is a real businessman but has a common link between them... (Schumpeter, 1934, p. 255).

Figure 2. Dimensions of innovation in a manufacturing company



Source: own systematization

Management must be the driving force behind the main processes that stimulate innovation within the company (Figure number 2). Some innovation management processes can be formally identified and documented, such as the development of new products. Others will be less tangible like generating ideas or managing company culture. That is why managers face a real challenge in managing innovation. In a modern manufacturing company, line operators are not just responsible for producing products, they also have full responsibility for constantly improving production processes. Senior managers need to see themselves as owners of the innovation management process, not simply managing outgoing new products and services. Managers should see innovation processes within their organizations as one of their biggest assets, which will bring the company to a high level of competitiveness.

The management of innovation and investment must be provided with the same conditions as for the management of every uninterrupted process in the company. More specifically, this requires the appointment of specialists, the establishment of units, organizational and functional structures and information base in order to fulfill the different functions in the innovation and investment process - planning innovation and investment; organizing the study, developing and implementing the projects, controlling the innovation and the investment process, etc.

### **3. Competitiveness of the enterprise - nature, features and characteristics**

Competition is a universal tool for preserving the effectiveness of the various companies and stimulating the most efficient ones. The most important feature that places competition on a decisive role is the fact that it is a process that allows the use of experience and knowledge in a way that maximizes economic performance. The formation and implementation of an adequate competitive strategy of the enterprise is an extremely important condition for its prosperity in the contemporary conditions of deepening competitive rivalry and unsustainable economic environment (Timofeeva, 2015, p. 17). The competitiveness of producers, traders and entrepreneurs depends to a large extent on innovation and innovative potential, financial opportunities and access to the international and European markets. In the context of a globalizing economy, innovation policy is associated with accelerating economic growth and enhancing competitiveness by transforming creative ideas into real products, services, processes and technologies. In the same way, R. Ivanova describes competitiveness and innovation in his work (Ivanova, 2014, p. 35).

The economic category "competitiveness" is an element of the conceptual apparatus defining the success of the economic activity of the enterprises on the market as well as the subject of the scientists' attention. Competitiveness as a concept is used in many industry sectors and in differently-sourced objects: products, economic sectors, human life spheres (Timofeeva, 2015, p. 17). The development of competitiveness theory is followed by the formation of different views and views on the essence of competition and what its content is.

A significant contribution to the competitiveness theory introduces M. Porter, who identifies a competitor efficiency as a "... property, product characteristic, service by which market participants enter the market on an equal footing with similar products, services and competitors" (Porter, 2005,



Competition, 588). Competitiveness is the ability to create sustainable development by producing goods and services that successfully pass the test of an unrestricted market and educated demand under normal conditions. Competitiveness is a relationship between highly demanding markets, leading companies and lasting investments in human capital. An economy in which even own consumers do not buy what they produce is doomed to decline. Competitiveness, however, is a quality of individuals and individuals, entrepreneurs and corporations, not peoples, countries or economies. The competitiveness of an organization and the success of its leaders are increasingly associated with their ability to cope with their dynamic and competence-building skills to respond adequately to the external environment (Danchova, 2017, p. 78).

Competitiveness is closely related to competition and the market. It is the main concept in the market economy and is an expression of a more efficient and efficient functioning of a business in relation to other business entities. Competitiveness is one of the most important internal factors for the functioning of the company and is realized through communication with other entities of the external environment. In a broad sense this means an opportunity to win some rivalry. The essence and content of competitiveness is revealed at several levels, namely: level of products, level of organization, level of national economy. Competitiveness in modern conditions depends on four interrelated elements:

- a) Terms of operation of the company in the country;
- b) The nature of the internal market;
- c) Condition of related and supporting industries;
- d) Characteristics of the main factors of production.

Mladen Velev considers the competitiveness of the enterprise as "its ability through continuous innovation and improvement to create and sustainably maintain competitive advantages leading to high economic results in the long run (Velev, 2004). In a number of scientific studies and scientific papers, a variety of competitive properties are discussed, which determine its complex and multidimensional nature. Here we can summarize the opinions of several well-known authors Dimitrova, Zavvjalov, Fathuddinov, Savelieva, Safulin, their views on the most important characteristics of the economic category of competitiveness that are derived from the individual authors are as follows:

- In order to maintain and increase the level of competitiveness, there is a need for an objective quantification of competitiveness (Zavuilov, 1992, p. 44).
- Competitiveness has a multi-dimensional character, which results from its evaluation, respectively from the presence of subject, object, objectives and criteria of its assessment (Fathuddinov, 2000).
- Competitiveness is controversial, as it has to combine the interests of producers and consumers (Saveljeva, 2009, p. 128).
- Competitiveness is manifested in the presence of competition, i.e. when comparing different competing objects and subjects, which determines its relative nature (Dimitrova, 2015, p. 8).
- Competitiveness is dynamic and changing over time.
- Competitiveness is conditioned by the combination of competitive advantages and weaknesses.
- Competitiveness is a complex category that is formed on many levels (Safuline, 2002).

In their perceptions of the essence of enterprise competitiveness, some authors focus on the economic parameters and the efficiency of its activity, here M. Porter points out that in order to achieve competitive success, the enterprises in the country must have a competitive advantage in the form of or lower cost, or differentiated products that impose high prices. The author takes the view that, in order to maintain the advantage over time, businesses need to achieve more advanced competitive advantages by providing higher quality products and services or by more efficient production. This is directly transformed into productivity growth (Porter, 2004, p. 23).

According to R. Dimitrova, "the level of competitiveness of the product, the products, as well as the prospects and the potential for its growth are among the main factors of the company's competitiveness (Dimitrova, 2013, p. 77). The continuous improvement of the product and its specifics or characteristics, increase its competitiveness among other products on the market, and hence improve the competitiveness of the enterprise. The definition of competitiveness can be formed by the ability of a firm to "fight" the market with rivals in the production and sale of goods or services, and by analogy the ability of a country to maintain a relatively high standard of living for its citizens through trade in its international markets and its own markets. Competitiveness is a fundamental complex indicator. It is a concentrated expression of the

economic health of each company, summarizing the efficiency of its economic, social, financial, institutional and other subsystems. Competitiveness is always a comparative category, possessing the potential for sustainable sustainable growth with its inherent pillars:

- economic, social and environmental;
- productivity of the factors of production;
- factor costs for production of a unit of final product;
- quality (technical level) of manufactured products;
- reliability of products and services;
- structural characteristics of the economy in the broadest sense of the term;
- imitative and innovative potential of the economy;
- strong sensitivity to market signals and expeditious response; the potential for rapid absorption, dissemination and commercialization of technical and other innovations;
- loyal partnership in business relationships;
- reconciliation of private, state and public interests.

Therefore, the competitiveness of an enterprise can be defined as the ability of an enterprise, through continuous upgrading and refinement, to create and sustain competitive advantages that lead to high business results in the long run (Saveljeva, 2009).

Competitiveness leads the manager to think and plan new developments to introduce to the firm so he can bring it to the other companies on the market. When a company succeeds in placing an innovation or a new product / service on the market, it gradually becomes more competitive and gets a chance for faster growth among other companies. We can note that in order to develop the company, it must be flexible, creative and innovative.

#### **4. Connection between innovation management and competitiveness**

The main driver for innovation is the constantly growing competition among enterprises not only in Bulgaria but also on a more global scale. At the beginning of this article, the essence of innovation and innovation management was discussed in detail as well as the most important features of the company 's competitiveness. The essence of competitiveness is the ability of an enterprise to improve and improve the characteristics of the products produced, thereby outperforming competitors. This is a "measure unit" through which companies

can analyze their competitiveness among others in the market. In its theory of competitive advantage of the nations, M. Porter emphasizes that "companies will ultimately fail if they do not base their strategies on improvement and innovation " (Porter, 2004).

The generic version of innovation management is a set of principles, methods, tools and ways to manage innovation and the team responsible for its market introduction. Hence the essence of the relationship between competitiveness and innovation management. Since high competitiveness is achieved when there is good and quality innovation management and their successful introduction of the market segment occupied by the enterprise. The innovative management tool of the enterprise for competitiveness and successful future development for the company. Innovation management, as it has become known, is the process of planning, organizing and controlling and managing the processes for development and implementation of innovations from different managerial levels aimed at achieving innovative objectives of the organization and achieving high competitiveness of the enterprise. In the opinion of the world-renowned M. Porter, innovation competitiveness is strongly dependent on the potential of its industry for innovation and technological development (Porter, 2004, p. 25).

According to a survey conducted by the global consulting company A.T. Kearney, in which more than 250 companies from around the world participated with a successful innovation management process, whether they responded to a question asked about a need to successfully manage the innovation process and achieve high competitiveness. For successful management, a total of 4 areas are linked to the characteristics of the innovative leaders that each company takes into account:

- Innovative strategy to be developed and to invest time, resources and labor;
- Generate ideas, in which process partners should be involved. It is necessary to use different sources and approaches to promote creativity and gather information on a global scale;
- Choice of ideas, using defined evaluation criteria;
- Development of the concept - development of the idea in a well-founded and ready-to-implement business concept, for faster growth over the other enterprises, ie. greater competitiveness.

## **5. Conclusion**

On the basis of the above, we can summarize that competitiveness is directly related to innovative business activity. Innovations contribute to the improvement of technology and technology, product and service characteristics, organizational skills of the company and, ultimately, to its "distinctive competence" with respect to its main competitors. Indeed, competitiveness as an economic category is manifested at company level (enterprise), because there is added value. It is also defined as a summary indicator of the next levels of organization and management - respectively the subsector, the sector, the economy and the national level.

The modern business organization operates in a dynamically changing environment. Organizational policy is geared towards achieving both sustainable development and competitiveness. Achieving sustainable development in an organization is a necessity for its competitiveness, while prosperity is sought. The discovery of new innovative methods and approaches to influence the human factor in governance and administration is a necessity. The relationship of power decision - behavioral approach is a key factor in achieving competitive management.

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