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RELATIONSHIP BETWEEN THE INNOVATION AND COMPETITIVENESS [1*]

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Abstract

This paper is written in order to shed light on the complex relationship between the innovation and competitiveness. Innovation is the end of a supply process, know-how and processing. It is also the beginning of an exploitation process, which may lead to improve the firm performance, namely its competitiveness. This recursive process of knowledge supply, processing and exploitation includes the value chain innovation. In the operation phase, innovation both in the products and in the process, contribute positively on the company performance.

Key words: *competitiveness, innovation, globalization, performance*

Introduction

In the current economic landscape at the beginning of XXI century, business is characterized by an increased impetus as a result of globalization and rapid changes occurring in business. Under the impact of technical progress, the process of liberalization and opening numerous international markets increased, companies are determined to restructure activities and increasingly, becoming more of them engage in the global competition. In today's economy, characterized by dynamism, unprecedented success of the companies in foreign markets depends on its ability to provide superior value to those offered by competitors

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its competitiveness. Under the impact of globalization, a phenomenon that has radically transformed our world, firms must also face new challenges; competitiveness has become a prime target and a prerequisite for their success in the contemporary economy.

Body paper

Achieve economic performance in the XXI century the specific competitive environment characterized by fierce competition depends on the ability of firms to expand the activities in foreign markets, identify and exploit opportunities offered by them. Globalization has created new opportunities for companies while new challenges. Opportunities include on the one hand, access to new markets previously inaccessible because of the cost, existing rules or indirect barriers, and secondly, the opportunity to participate in global production networks that prevail in many industries (automotive, electronics and textiles). The challenges come from foreign competitors but also from domestic competitors to reduce their direct costs or economies of scale achieved through expansion into new markets. Globalization is causing companies to become more efficient, modernize and retrofit production processes while continuing geographic expansion of their operations.

Since 2000, accelerating socio-economic transformation of the competitive environment of globalization, trade liberalization, internationalization of business, technological revolutions, etc. determine a more fierce competition for any company became a certainty that a requirement more important than performance in a modern economy is competitive and, particularly, that of exports. In a world that increasingly speaks more about globalization, the emergence of global production chains, service development, diversification and customization, the major changes occurring in buyers' behavior, it is clear that the export, be it product services, labor or - why not - culture can not be random, but after a well-established. Therefore, competitiveness does not occur by itself, but must be planned.

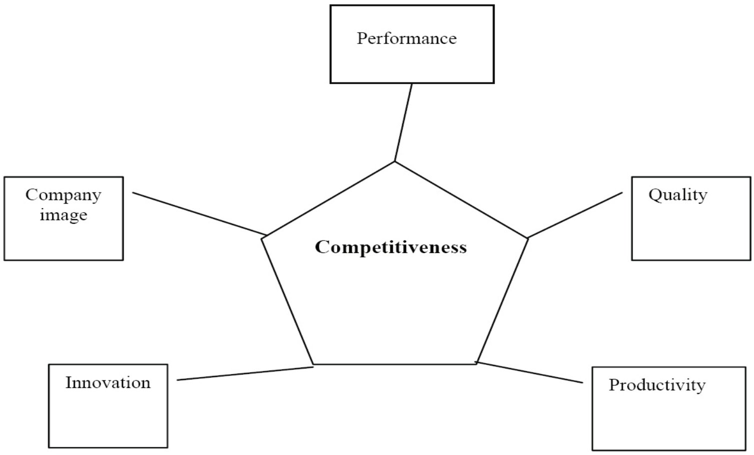
In contemporary society, the key to a firm, namely its competitiveness on foreign markets is its ability to identify and provide sources of value creation and exploit them properly. Companies are vectors of sustainable development in the national economy, making international competition in recent years, the arena in which both companies, as well as countries play their course book socio-economic progress. Engine efficiency and economic progress, competitiveness is the key to sustainable development both at a national economy and the firm, for all participants in the world economic circuit. At company level, competitiveness is the ability to provide superior products and services in terms of quality or better price than that of other significant competitors. Dimensions of firm-level competitiveness refers to profitability, cost and quality of its exports to regional market or global market, international market performances representing a direct expression of a firm's competitiveness.

John Kay[5] believes that the competitiveness of a company as determined by four factors, namely:
• Ability to innovate;
• Internal and external relations;
• Reputation;
• Strategic assets.

In this context, competitiveness coverage expanded by taking into account tangible and intangible resources, which can give a firm competitive advantage[6]. The competitive approach must take account of factors related to flexibility, adaptability, quality and marketing[7], understanding competitiveness not only in terms of productivity, but as the ability of companies to design and / or produce higher existing market in terms of price and non price-quality[8].

Ambastha and Monaya believes that competitiveness dimensions can be grouped as follows:
- Performance, including the financial one, such as earnings, profitability etc..;
- Quality, not just products and services, including the ability to meet customer expectations;
- Productivity, in terms of production volume as much as using a small volume of resources;
- Innovation, including products and services and processes;
- Reputation, including corporate branding in terms of building trust and reputation in dealing with stakeholders.

Figure no. 1 - The five dimensions of competitiveness



Source: Vilanova M., Exploring the Nature of the Relationship Between CSR and Competitiveness, Journal of Business Ethics, 2008

5 Kay, J.: 1993, Foundations of Corporate Success (Oxford, Oxford University Press).

6 Hamel, G. and C. K. Prahalad: 1989, Strategic Intent, Harvard Business Review 3.

7 Barney, J.: 1991, Firm Resources and Sustained Competitive Advantage, Journal of Management 17(1).

8 D'Cruz, J. and A. Rugman: 1992, New Concepts for Canadian Competitiveness (Kodak, Canada).

Referring to the innovation, it is difficult to characterize a dynamic process as it is. Innovation refers to activities involving innovation, change and development, also refers to the risk, anxiety and resistance, and also the excitement and reward. It should be clarified at the outset the distinction between innovation and invention. The invention involves designing a new product or process or service, while innovation involves improving a product, service or existing process for it to be more profitable[9].

Innovation is not always a revolutionary process, but can be done in small steps. To materialize innovation is undergoing several phases[10]:

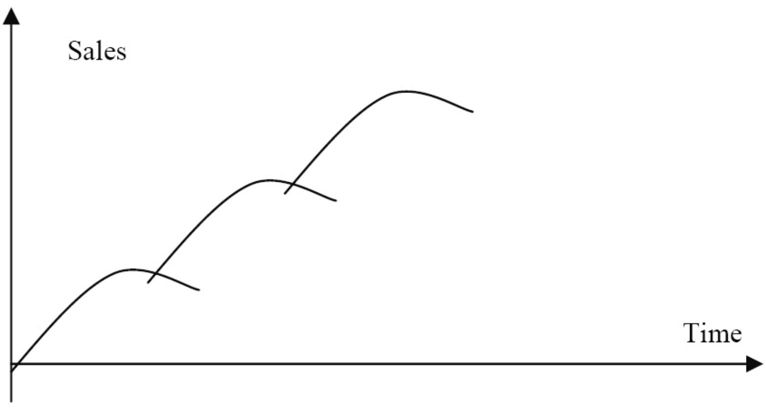
1. Call to source ideas: imagination, observations, analysis.
2. Creativity to generate new ideas.
3. Refining the idea to determine if the idea is consistent with company policy and issues.
4. Technical feasibility and economic justification for the utility of the idea.
5. Practical implementation of new ideas.
6. The result: new product, new process, lower costs, etc.

To materialize innovation is achieved various activities[11] such as:

- Horizontal transfer activity: innovations -> new applications;
- Vertical transfer activity: Knowledge -> Research -> new product / new technology;
- A new company organization -> a new image.

Products and their life cycle, innovation is a chance for longer survival, increasing sales volume by default, a situation shown in graph no. 1:

Graph no. 1 The influence of innovation on product life cycle



Source: Professor Tann, J.; BA; Ph., D.; Management of Innovation, The Oxford Open MBA, Editura Oxford Brookes University, 1995

9 Plumb, I.; Vişan, S.; Florescu, M. 2007, Managementul cercetării şi inovării, Editura ASE, Bucureşti

10 Călin, G.C.; Botez, L.F. 2000, Creativitate şi inovare, Editura ASE, Bucureşti

11 Băloiu, L.M., Frăsineanu, C., Frasineanu, I. 2008, Managementul inovațional, Editura ASE, Bucureşti

As to the sector concerned, innovation can be technological or economic. In short, technological innovation includes those activities aimed at creating a new product, introducing a new manufacturing methods, using a new material or replace the existing one another better, etc.. And economic innovation focused on issues such as entering a new market or creating a new market, a new company or organization a new image of the company.

Different types of innovations may have different economic effects:

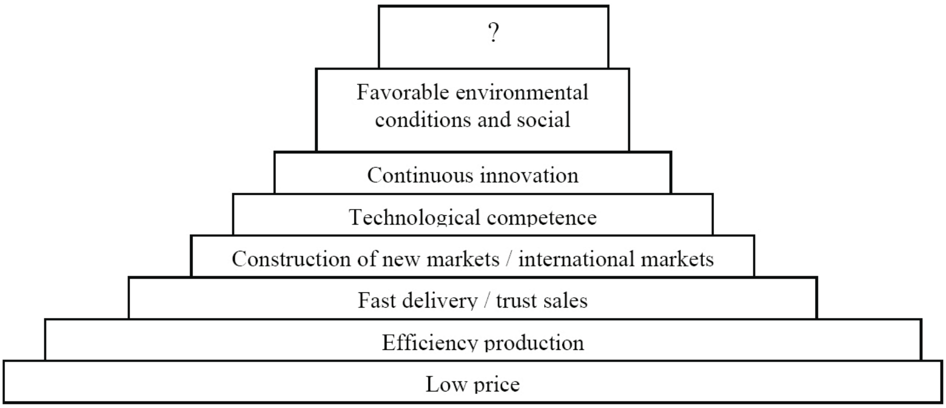
- Can maintain and even reinforce old business relationships;
- Create new business relationships;
- Retain existing technologies;
- Creates new logistics technology.

Competition requires companies to constantly invent, not to be removed from the market. There are times when you can change the competitive position of companies on the market through field experience and technical progress.

Technical progress contributes to business competitiveness, thus increasing its capacity to withstand competition. Cut costs technologies to, increase product quality, operational safety, consumer protection, environment, human physical effort so low. And be sustainable competitive advantage. Moreover, technology can restructure a domain.

An interesting approach on competitiveness conducted by the Ministry of Industry in Denmark[12]. He made a pyramid of competitiveness that seven factors are relevant, but allow consideration of others and leaving the development open to new factors suggested by the quadrangle of blank peak.

Figure no. 2 – The competitiveness pyramid



Porter, Michael, the largest specialist in issues of competitive advantage - essentially element in achieving competitive advantage in macro, meso and micro - considers competition as the determining factor in success and failure of companies[13].

12 Nicolescu O., Nicolescu L. 2005, Economia, firma şi managementul bazat pe cunoştințe, Editura Economică, Bucureşti

13 Porter M., The Competitive Advantage of Nations, New York: The Free Press, 2006.

Conclusions

In a constantly evolving economy, constantly affected by social, political and economic influences, innovation may be one of the competitive advantage of companies in relation to direct competitors. Even if on short-term, innovation innovation does not always bring the hoped for benefits, in the medium term and long term, one that differentiates from the competition is that who innovate, adapt to the market develops and acquires not last that long awaited advantage.

Relationship competitiveness - innovation must be seen in the duality of her character. On the one hand we believe that the relation between this two characteristics of any companies is a direct one, in this case we came up with an example from auto market, if a manufacturer develops a new braking system which proves reliable and help increase safety passengers, the innovation presented by the current manufacturer aims to increase confidence among consumers towards it, gaining competitive advantage in a short time expected.

On the other hand innovation can influence competitiveness in the negative way, limiting its evolution, when companies develop new products and services without prior investigation into consumer needs and preferences.

Viewed as a whole of market mechanisms, competitiveness is a prerequisite for success in the contemporary economy.

In conclusion, it can come off the idea that competitiveness refers to products and services capability to withstand the test market both domestically and internationally, in terms of profitable, resulting in constant increases in productivity and improvements in living standards.

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