

STATE AND DEVELOPMENT OF THEORETICAL KNOWLEDGE ABOUT INNOVATION

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Abstract

Striving for the new, more reliable and to the better is a major force that drives the development of society as a whole. It is important for each entity to know the nature, peculiarities and ways of transforming the ideas into products or services that will be able to satisfy consumer requirements, increase profits and ensure the growth of the enterprise. All this gives the organization a higher competitiveness, an opportunity to expand the market worldview, the possibility to change the organizational structure, to increase production, more qualified personnel, etc. Dynamic economy, knowledge of innovation and the way of management are extremely valuable, and their ability to use becomes a major source of competitive advantages. The main objective of this article is to clarify the content, the nature and the peculiarities of innovation, and to define its characteristics. The main research methods used in the development are content analysis, method of analysis and synthesis, intuitive and systematic approach.

Keywords: *concept, characteristics, innovation, enterprises*

JEL Codes: *G19, O30, O31, P00*

1. Introduction

The long-term growth of each economy is determined by its ability to renew itself, i.e. to convert knowledge into economic result, according to Chobanova. (Chobanova, p.525) It is evidenced by the fact that in developed countries half of the growth in gross domestic product (GDP) is the result of innovation and this share is increasing in increasing the intensity of creation and use of new knowledge in the economy. (OECD, 2000) The problem arises for the renovation of the national economy of small countries that are not among the leaders in the global economy, a problem that is not solved in both theoretical and practical terms.

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2. Definitive Components of Innovation.

Nowadays, the term "innovation" is widely used, both in our country and globally. It is appropriate to pay attention to the difference between the essence of innovation and invention. An invention represents the first appearance of a new idea for a product, service, or process. Innovation, on the other hand, is the use of this idea for commercial purposes, i.e. its realization on the market. In general, it can be said that innovation can be seen as an invention and its use for commercial purposes. However, the boundaries are not always clearly distinct, as the 'invention' can relate not only to research and development but also to the optimization and imposition of new methods and processes, while, on the other hand, it may be necessary to use it for sale and in-depth research. For the invention also there is no unified definition. (Bojinova, 2005) It can be defined as:

- A new solution to a specific problem – the solution must be based on laws from the material world, without having to be unfamiliar so far, as the invention can give new application to already known laws;
- Intellectual product, representing a "technical" solution to a practical task in every area of the economic, social and cultural spheres – not the task itself, and its decision must be of a technical nature;
- The decision must indicate how to achieve a specific result. (Dorofeev, 2003, p.17)

According to Pantaleeva, "between scientific discoveries and inventions there is a close connection, but also differences. Scientific discoveries reveal the existing material world. On the basis of them, many inventions are created. For their part, inventions transform and add new objects in the material world. Unlike scientific discoveries in inventions, there is a process of discovering something new, unknown so far. The latter may be objects of intellectual property." (Pantaleeva, 2013, p.21-22)

In recent years, innovation has seen and seen an essential role in the competitiveness and success of businesses. The importance of innovation has led to many scientific researches and has become a broad topic, which is generally perceived in a different way. There are many definitions of what the innovation really is. Innovation is an economic phenomenon, meaning a massive solution that brings income or benefits to society on a large scale. The innovation has been put into use creative solution, applied invention, again in economic sense. Innovation is a guaranteed positive change for society. The definition of innovation in vocabulary (introduction of something new) is clear, but it does not help the managers or staff of an enterprise to understand the nature of innovation to a sufficient extent. It focuses on novelty and may lead to neglect of the fact that innovation can be based on changing existing ideas. The definition in the glossary also fails to explain the following questions – which are the most important types of innovations; how innovation can lead to a sustainable competitive advantage;

what is the most effective way to increase the innovation potential of an organization and order other similar issues.

Austrian economist Schumpeter already in the 30-ies of the 20th century looked at five different aspects of innovation and according to his definition, which is considered exhaustive on innovation mentions the following: (Schumpeter, 1934, p.255)

- The introduction of a good product, which is new for consumers or higher quality.

- Production methods those are new to an industry. It does not necessarily have to be new scientific discoveries and are not used in other industrial sectors.

- Opening new markets.

- Use of new sources of supply.

- New forms of competition leading to the restructuring of the industry or market.

Porter defined the innovation as follows: "To be included as an improvement in technology and better methods or ways of doing different things. It can consist in changing products, changing the process, new approaches to marketing, new forms of distribution, and a new concept of scope, innovation is the result of both the organizational structure and the research and development activity."(Porter, 1999) The very concept of "innovation" in Schumpeter's writings is also seen as a change in order to implement and use new types of consumer goods, new production and transport means, markets and forms of organization in production. Therefore, the creation of innovations mostly relates to entrepreneurship in the economy. According to Schumpeter developer "reformed or revolutionized the way of production by developing inventions or in most cases untried technological opportunity for the production of a new product or for the production of an already known product In a new way, either by revealing a new source of supply of materials or a new market for goods, through the reorganization of the industry." (Schumpeter, 1975, p.132)

This definition has many similar points to the definition of Schumpeter, but shows that sources of innovation can originate from different units (organizational culture) in the organization, not just from the research and development department. Both the authors Porter and Schumpeter use the word "new" in their definitions, but it should be remembered that many commercial innovations are not entirely original. According to Rogers ' opinion, who is an expert on how innovation spreads through the markets, reminds us that "innovation is an idea, a practice or an object that is perceived as new by an individual or other unit of perception. Embracing ' new ' is important rather than being original in it. Innovations are related to the skills of deployment and management of research, so as to use new technology to emerge new products on the market or improve the old ones to meet the needs of customers." (Rogers, 1995, p.2-3) According to the opinion of the foreign scientific reports on innovation, as mentioned in the development of Plessis, that "innovation is related to the creation of new ideas and knowledge that help business to achieve new results by improving business structures and processes from the

inside." (Plessis, p.20-29) Slavova's opinion is that innovations are first and foremost a presentation on the market of new products and services or new ways of their production. They are an important source of productivity, which is given a certain, significant role in the theory of economic growth." (Slavova, 2012, p.85-87) Contribution to the modernization of the holding have also the scientific discoveries to which they relate: solving tasks of knowledge; new significant changes in the level of knowledge; credibility. The discoveries broaden and deepen the knowledge of the material world and bring them to new knowledge of objective reality, in honors from the invention, which is a concrete way to achieve practical goals (technical problem solving). In the quality of discovery, not every scientific result can be classified, but only one that validates previously unknown regularities, properties or phenomena of the material world. The results of scientific findings are in most cases a theoretical basis for innovation, for its materialization is necessary scientific and technical work, which possesses specific properties with practical focus. All of them lead to an increase in the competitiveness of the economy", specify Slavova, Todorova and Mednikarov in his writings. (Todorova, Slavova, Mednikarov, 2018, p.3)

By their nature, content and specific features, the notion of innovation is a complex and believed concept that cannot be defined unilaterally. When looking for an appropriate definition of "innovation", the following definitions of innovation can be mentioned as examples: (Popov, 2006, p.112)

- From the point of view of the new idea – innovation is a successful use or exploitation of a new idea;

- From the point of view of the process (i.e. from a dynamic point of view) – innovation is the introduction of changes or significant improvements that lead to significant deviations from the perceived way of action.

- In terms of products – innovation is transforming a new idea into a new product, service or operating model or method, which includes all the scientific, technological, commercial and financial steps necessary for the successful development and market introduction of new products, commercial use of new or improved processes or equipment.

- In terms of materials – innovation is the use of new materials that have no proven history of application and are not among the current practices of the business organization.

According to Shavinina, "for an action to be defined as innovation, it is necessary to have the following requirements at the same time": (Shavinina, 2003)

- ✓ the presence of an element of novelty (new idea);
- ✓ the existence of positive effects of the action for a wide range of people;
- ✓ Economic appropriateness of the action.

According to Manuel "innovation is the introduction of a new or significantly advanced product (good or service) or a process, a new marketing method or a new

organizational method in business practice, workplace organization or external relationships." (Manuel, OECD, p.16) According to Pantaleeva, "innovation has three main properties: scientific-technical-novelty, manufacturing (practical) applicability and commercial feasibility." (Pantaleeva, 2023, p.28) "While the research area focuses on the degree of novelty, the opportunities for practical application and obtaining of income for industrial companies are more important. The commercial aspect defines innovation as an economic necessity, conscious of market needs. From such a perspective, two moments can be differentiated: "Materialization" (from the idea to its embodiment in product, service, technology) and "commercialization" of the innovation (turning it into a point of income)", according to Dorofeev. (Dorofeev, 2003, p.12)

Innovation is related to the conscious use of information, imagination and initiative to derive larger or different values and includes all processes that generate new ideas and make them more results-driven. In this sense, the innovation has a number of characteristics, the more important of which are: (Varamezov, 2005, p.11 – 12)

- The subject of the innovation (what is changed and how it is modified);
- Degree of novelty; depth of transformation (degree of radicalism of amendments);
- Scale of conversion (affects one, several spheres of activity or enterprise as a whole);
- Level of development (level of preparedness of innovations to implementation);
- Potential of innovation (assessment of the expected beneficial effect and its justification);
- Expected duration of implementation;
- Labor-intensive implementation;
- Volume of financial expenses required for implementation, etc.

"Enterprises, first mastered effective innovations, get a significant advantage over competitors. From this point of view (in addition to the function of modification), innovation also fulfils the following functions": (Kokurin, 2001, p. 111)

✓ Reproduction function. Innovation is an important source of financing for further economic revolutions. An entrepreneurial profit can be used to extend an enterprise's production or trading activity.

✓ The investment function. The profit from the realization of the innovation can be transformed into company capital, which can be invested in various activities or to be directed to finance further innovations.

✓ Stimulating function. Gaining income from market innovation is directly in line with the objectives of each industrial enterprise. The overall target orientation has a stimulating and multiplier effect, which is reflected in the demand for market information for the current production and innovation activities, for the adoption of modern methods of financial management, for improving the organization of the marketing activity (reengineering, benchmarking, etc.), etc. The realization of innovations in the market

takes place so-called. Exchange "money-innovation". The funds received by the entrepreneur as a result of the exchange are used to cover the costs of creating and selling the innovation. They lead to the realization of profit from this sale and stimulate the creation of further innovations.

According to Petrov and Georgiev, "the substantive aspects of innovation are based on six points of support:" (Georgiev, Petrov, 2008, p. 373-374)

- Novelty – the innovation is associated with a new idea;
- Real Changes;
- Practical Applicability;
- Process – "Innovation is seen as a process, include logically separated but connected phases, activities and operations", as it is in the work of Benev, and later in the works of Georgiev and Tsvetkov. (Georgiev, Tsvetkov, 1997, p.35)
- Positive assessment by the consumer;
- "We determine the tangible or intangible result of the introduction of novelty" (Benev, 1996, p.7)

The foregoing gives us the reason to make the summary that innovation begins with the emergence of the idea of a new product or improvement of an existing, continues with its introduction to the market, goes into perfection and change of the production environment and production methods in the enterprise, and from here opens new market segments, new suppliers, clients, new competitive advantages.

3. Content Components of Innovation.

In the economic literature, the clarification of the content components of the innovation, several basic approaches are used:

1. Static approach. "The notion of innovation is used to address a new product, process or service. It is considered as a product that the enterprise offers on the market. In this respect, innovation is presented as a final result of the innovation process." (Pantaleeva, 2013, p.31)

2. Dynamic approach. In the 60 and 70 years of the XX century a number of scientists Conway, Stewart and others began to view the innovation as a process. (Stewart, 2009, p.40) They associate the concept with the totality of the activities carried out in transforming the idea into innovation, which allows its use in the market. In this case, innovation is defined as a process that:

- Covers usefulness, success and profit in a whole;
- Consists of creation, development, introduction, adaptation, tying, realization and perception, i.e. a set of phases (stages) of the development of the innovation idea. (Ivanova, 2010)

Seen in dynamics, the innovation includes the whole period of development of the idea and represents: (Conaway, 2009, p.12)

- Management Process – the focus is on the organization and management of the totality of activities and phases of the innovation process;
- Social process – the importance and role of the social interactions within the innovation process are taken into account;
- Political process – focuses on the dispute arising from the scarcity of resources and the choice between alternative cognitive requirements and solutions in the process of realization of the But-in-progress;
- Emotional process – related to psychological security, allowing individual users to change long maintained assumptions, to adopt new alternatives, etc.

3. An interactive (capacity) approach. According to Pantaleeva. "The emphasis on strategy and key competences, innovation (or the way to innovate) can be seen as an important organizational capability or a" soft "key competence. 3m, Hewlett-Packard, Sony, etc. Believe that they possess not only technological ("hard") but also organizational-management ("soft") competences." (Pantaleeva, 2013, p. 32)

According to Popov, "in clarifying the content of innovation it is necessary to consider another combination of aspects of innovation, i.e. innovation to be defined as activity, process and result." (Popov, 2006, p.112-113)

Innovation as an activity. Every innovation is the result of purposeful conscious human activity that integrates research, production, marketing and other activities. It is achieved through the realization of these interconnected activities. This implies effective coordination, interaction, organization and use of flexible forms and tools for their management.

Innovation as a process. Innovation is defined as the realization of a combination of partial, logically related processes and activities that are matched in a certain way in time and space. The innovation process goes through research, design and experimental works, practical (production) realization, market introduction (market realization) and diffusion of innovations.

The innovation as a result. This result can be a different (tangible or intangible) – article, service, method of organization or management, way of communication, etc.

4. Modern Research on the Essence of "Innovation".

Since the second half of the 20th century and to this day, the problems of innovation, innovation and development through innovation are an important part of the research of a number of scientists. Opinions on some of these problems can be found in the scientific developments of Kotler, Kirtzner, Drucker, Porter, Pride, Dolan and many others. Some of these views are as follows:

- "Considering the rapid changes in tastes, technology and the state of competition, the company cannot rely solely on the existing goods. The user wants and expects new and improved products. And competitors will do their utmost to provide these

innovations. Therefore, each company must have its own program for the development of new products. ", describes Kotler in detail. (Kotler, 1991, p. 395)

- According to Casson, "the most important form of entrepreneurship is product innovation. A key element in product innovations is to ensure the flexibility and universality of the product. This requires standardization of the construction characteristics of the individual components and ensuring the accuracy of production. On this basis, the creation of a mass market and the possibility of economies of scale and volume are ensured." (Casson, 1998, p. 240)

- Kirtzner summed up that "innovation (of entrepreneurs) consists in the ability to see where new products have gained an unexpected value for consumers and where new production methods have become possible, i.e. to see new opportunities, unnoticed by others. This is important so that long-term benefits can be exploited." (Kirtzner, 2010, p. 85-86)

- Filipova defines innovation as the main method of overcoming crisis phenomena in the enterprise. (Filipova, 2009)

- The economic landscape has changed dramatically in recent two decades due to the process of digitalization and globalization of business. Internet has led many companies to rethink the role of technology. (Zlateva, Vladov, 2019, p.31) The IT sector has given a new direction for the development of the technologically oriented societies, which directly affected on every sphere of life... and create the conditions for building value chains through which companies generate profits and gain competitive advantages. (Zlateva, 2016, p. 88)

On the basis of the above, we can summarize that modern scientific researcher's complement and further develop the existing definitions of "innovation". Experience and discoveries in the field of innovation prove that the success of an enterprise is in the new and better. Innovations are all enhancements, advancements, new non-existent products, new processes that bring certain benefits to consumers.

Conclusion

Innovation is always a complete design process of applying a specific new knowledge in use, and at best, the use will bring profit. Innovation is always an economic phenomenon. In summary of the report, the following conclusion can be drawn:

-First conclusion - in recent years innovation has been seen and perceived as an essential role in the competitiveness and success of businesses. There are many definitions of what innovation really is. Innovation is an economic phenomenon, meaning a massive solution that brings income or benefits to society on a large scale. The innovation has been put into use creative solution, applied invention, again in economic sense. Innovation is a guaranteed positive change for society.

-Second conclusion - the approaches of innovation are key three, statistical, dynamic and interactive, but in clarifying the content of innovation it are necessary to consider another combination of aspects of innovation, i.e. the novelty to be defined as an activity, process and result.

-Third conclusion - innovation is a specific tool of entrepreneurs, the means by which they use the change as an opportunity in a business or service. It is the main method of overcoming crisis phenomena in the enterprise.

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