

## Innovation and Business Development in the Current Market Economy

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### Abstract

Managers, if they want to develop, must step out of their comfort zone and think from new perspectives. There has been a lot of talk about innovation lately and there will be a lot of talk from now on. Progress is defined by the difference between creativity and innovation. In any business, creativity is used to generate ideas, while innovation is the same tool it uses to put ideas into practice. To innovate means to adapt to the trends that are shaping up in the local business environment and to generate ideas that will help you make a difference. To innovate means to be one step ahead, to make progress, to obtain good results, to outline a team that thinks in unison and to emphasize, first of all, on promoting the values of the organization. Exploiting new ideas is certainly crucial for any business, because it improves the quality of services and products, creates better communication with customers, generates efficiency and, most importantly, helps increase profits. The main purpose of the research is to study the innovation process practiced by managers in today's market economy. In this study we used as a research method quantitative-comparative analysis, by presenting all the details regarding the business innovation process demonstrating the correlations between each element of innovation. The decision-making problem from which we start in our research approach is the answer to the question: is there a causal link between the elements of the innovation process? Regarding the contribution to the literature we can say that the innovation process integrates elements specific to management, focusing on defining and implementing the management system that ensures the achievement of a continuous flow of innovation in the organization.

**Keywords:** innovation, product, process, marketing.

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### Introduction

A company that wants not only to stay on the market, but to constantly grow has the duty to constantly seek innovation. A true engine of business success and also a sure way to solve problems that occur unexpectedly in the life of the organization, innovation is the surest way to differentiate itself from the competition. Can a business grow only if it innovates? There are many cases in which revolutionary ideas have needed consistency to become reality.

The word *innovation* sounds beautiful, and it is based, first and foremost, on innovative culture. Thus, it is more than important to analyze the people who can form this culture (Richard, Bessant and Phelps, 2006). An innovation process cannot exist without people changing their thinking. The innovation process is a succession of activities that try to turn one or more ideas into products or services for the market, ie money (Stroeva, et al., 2014). It is obvious that not all ideas can turn into products that the market can accept, so pay for them. For this reason, in order to have a sufficiently rich portfolio of

ideas, to have a choice, we must have several sources of ideas and a mechanism for selecting them, before we can hope that they will be found, some of which can later be turned into money. Business innovation can start from a single successful idea, whether it is a new service or a new product. Innovation can be based on a series of small but significant changes for the development of the organization. In any case, innovation should be part of the company's development strategy (Hidalgo and Albors, 2008). In order to develop a business, it is more than essential to know who the direct competitors are and in which areas they operate. Almost exclusively the prerogative of industry leaders, innovation consists in transforming a new idea into a product or service that brings benefits to both consumers and companies. Whether we are dealing with a revolutionary change or a moderate one, an innovation has as its only role the progress in one or more fields. Once the direction of continuous innovation is set, the company that chose this path benefits from a much improved productivity, considerably lower costs and better competitiveness on the market. With services and products adapted to market demand, to which is added a solid communication strategy, any brand gains value, and opportunities for new partnerships appear on the horizon very quickly (Cormican and O'Sullivan, 2004).

The main objective of the article is to highlight the way in which managers from Romania perceive the innovation process. In order to obtain the most complex results, each process element was analyzed, respectively if there is a correlation between each innovation element.

### Review of the scientific literature

A simple perspective on innovation in the organizational environment is that you must first create the space for expressing ideas. Some ideas will be new, innovative, while others may be from other registers: from banal to utopian. There are organizations that have implemented communication platforms, in which any employee can make their ideas public, then those ideas that are chosen and supported by as many people within the organization go further, reaching to be put into practice. Some organizations call this process the *Idea Exchange* (Blank & Dorf, 2020). At the same time, this approach shows some very subtle phenomena, which limit innovation and send us to the culture of the organization. There are not many people who have truly innovative ideas and there are not many who have the courage to make them known or even, a step further, to build a *business case* for their implementation (Kelley, 2016).

In principle, business innovation includes the following aspects (Drucker, 2016):

- improving or replacing business tools to achieve better results or to increase the organization's sales;
- development of new services or products, adapted to local trends and customer needs;
- promoting the company's values, so that you are different from the competitors.

Creating space for the expression of ideas is a step in the direction of a culture of innovation, but it is only the beginning. There are several organizations in which there is an employee, usually in a managerial position, who acts as a *catalyst* for innovation in that organization (Clayton, 2016). Even if there is a place where ideas gather or there is a manager who leads this process, the real organizational culture can encourage or discourage people's curiosity, courage, creativity, questioning current procedures, questioning the authority of managers, experimentation and mistakes (Scott et al., 2008). This behavioral perspective leads us directly to the environment, the atmosphere that was created in that organization, with all its beliefs and behaviors, less visible and accepted.

The challenges and themes for reflection for leaders who want to create a culture that facilitates innovation can be (Keeley et al., 2013):

- *What kind of organizational structure should we build to facilitate a culture of innovation?*
- *What kind of management style should we have in the organization to encourage questions, reflection, curiosity, experimentation, mistakes, courage?*

The changes are related to the creation of a vision shared by all members of the organization, a positive vision, in clear images, to inspire everyone to act as they may not have acted before. This vision will be the crucible, the framework in which innovation will appear. This vision will require a new structure and perhaps a new way of functioning in the organization: new processes that include reflection after action, which include the implementation of lessons learned by both leaders and specialists, work processes that include and allow the question mark of current modes of operation or which allow experimentation, curiosity, error and perseverance in taking it from the beginning. Collaboration and team spirit are what underpin learning and innovation in the organization, because learning is a team discipline (Scott et al., 2008). Dialogue thus becomes a central form of communication within the organization. Power games no longer make sense and no longer consume employees' energy, because they are no longer allowed and validated by team members, regardless of their level (Blank & Dorf, 2020).

Bringing innovation to the organization means creating a new way of leading people, so that they create new services, products, processes. Innovation will fundamentally change the way we understand leadership - it brings the understanding that leaders are the ones who create the right framework for specialists to stand out as much as possible and work well together. The challenge will be about seeing reality as a source of growth and development opportunities, not as a source of obstacles and difficulties.

### **Research methodology**

The purpose of the article is to determine how managers from Romania perceive the business innovation process. The innovation process is structured on several process elements:

*11) Product innovation:* refers to goods and services with characteristics or intentions of use that differ significantly from previous products made by the organization;

*12) Process innovation:* occurs in both service and production sectors and includes new or significantly improved production methods: logistics, supply and distribution systems and back office activities such as maintenance, purchasing and accounting operations;

*13) Organizational innovation:* represents the implementation of a significant change in the company's business practices, the organization of responsibilities and decision-making in the workplace, which includes training or education to increase skills and responsibilities and the organization of external relations with other companies or public institutions;

*14) Marketing innovation:* refers to significant changes in the way an enterprise sells its goods and services, including changes in design and packaging.

Based on the purpose of the scientific research, the following objectives have been drafted:

1. Analyzing the innovation process;
2. Analyzing the process elements that make up the process;
3. Identifying the links between the process elements.

Data collection was performed between October 2020 and February 2021, using the questionnaire. A number of 512 valid questionnaires were obtained. In the processing, processing and analysis of the collected data, the special statistical research software S.P.S.S. (Statistical Package for the Social Sciences), with the help of which the Spearman rho Correlation Coefficient was calculated;

### **Results and discussion**

To validate the objectives, we used the most common and by far the most useful, the Spearman rho correlation coefficient, with the help of the special statistical research software S.P.S.S. (Table no.1).

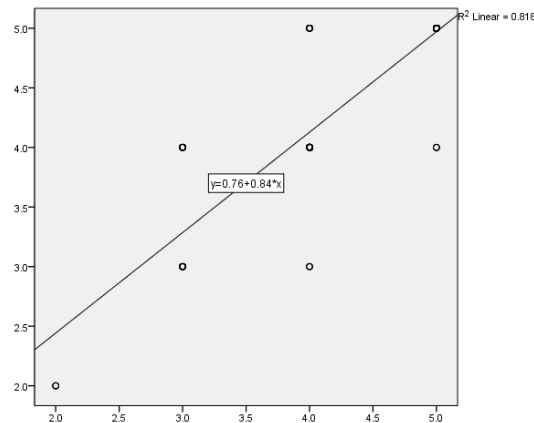
**Table no. 1. The values of the correlation coefficient Spearman rho**

Correlations				
Spearman's rho	I1. Product innovation	I2. Process innovation	I3. Organizational innovation	I4. Marketing innovation
I1. Product innovation	1.000	.921**	.837**	.823**
I2. Process innovation	.921**	1.000	.800**	.784**
I3. Organizational innovation	.837**	.800**	1.000	.895**
I4. Marketing innovation	.823**	.784**	.895**	1.000

Source: processing data obtained through SPSS program

Following the analysis of the Spearman rho correlation coefficient, we can observe the following correlations between the different process elements that make up the public management system:

1. There is a very significant positive relationship between *I1. Product innovation* and *I2. Process innovation* ( $\rho = 0.92$ ,  $df = 512$ ,  $p < 0.001$ ). From the scatter plot (Figure no.1) it can be seen that the point spread is relatively limited, which indicates a strong correlation ( $R^2 = 0.81$ ). The slope of the scattering of the results is a relatively straight line, indicating a linear rather than a curvilinear relationship.

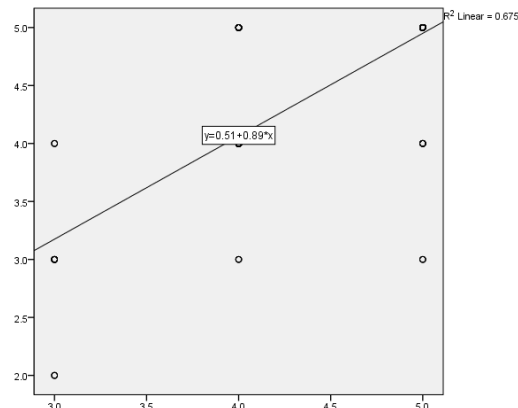


**Figure no. 1. Dispersion diagram - the correlation between I1. Product innovation and I2. Process innovation**

Source: processing data obtained through SPSS program

The correlation between *I1. Product innovation* and *I2. Process innovation*, appears as a reaction of several factors - for example, consumer needs are determined by social, cultural or economic factors, while at business and organizational level, product innovation is done when the goal is to expand to new market segments or gaining a competitive advantage.

2. It can be seen from Table no. 1, that there is a very large significant positive relationship between *I1. Product innovation* and *I3. Organizational innovation* ( $\rho = 0.83$ ,  $df = 512$ ,  $p < 0.001$ ). The scatter plot (Figure no. 2) reveals that the point spread is relatively limited, which indicates a strong correlation ( $R^2 = 0.67$ ). The slope of the scattering of the results is a relatively straight line, indicating a linear rather than a curvilinear relationship.

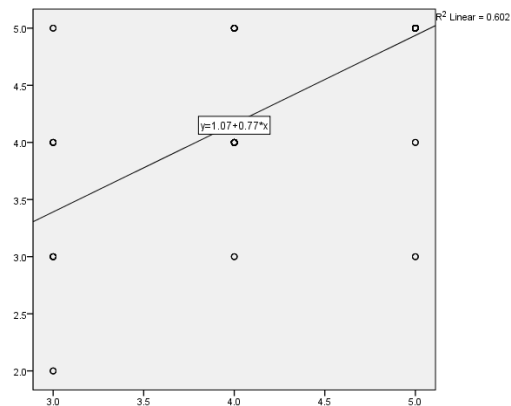


**Figure no. 2. Dispersion diagram - the correlation between I1. Product innovation and I3. Organizational innovation**

Source: processing data obtained through SPSS program

We can say that the correlation between *II. Product innovation* and *I3. Organizational innovation* is the most visible for the consumer and refers either to the improvement of older products in the company's history, or to the development of new products based on new technologies or solving new consumer needs.

3. Between *II. Product innovation* and *I4. Marketing innovation* there is a very significant positive relationship ( $\rho = 0.82$ ,  $df = 512$ ,  $p < 0.001$ ). From Figure no. 3, the scatter plot reveals that the point spread is relatively limited, which indicates a strong correlation. The slope of the scattering of the results is a relatively straight line, indicating a linear rather than a curvilinear relationship.

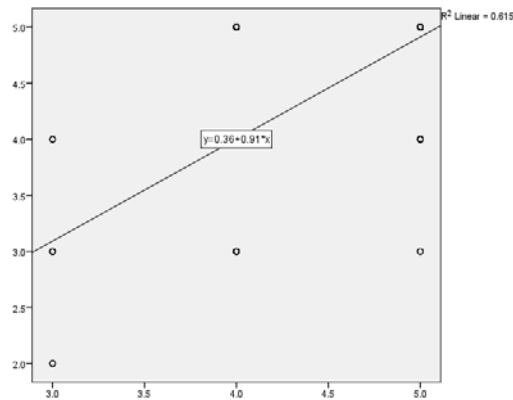


**Figure no. 3. Dispersion diagram - between I1. Product innovation and I4. Marketing innovation**

Source: processing data obtained through SPSS program

A strong correlation between *II. Product innovation* and *I4. Marketing innovation* can better meet customer needs, aims to open new markets or a new positioning of the company's products on the market, with the aim of increasing the company's sales.

4. Analyzing *I2. Process innovation* and *I3. Organizational innovation* results in a very large significant positive relationship ( $\rho = 0.80$ ,  $df = 512$ ,  $p < 0.001$ ). The scatter plot (Figure no. 4) reveals that the point spread is relatively limited, which indicates a strong correlation ( $R^2 = 0.61$ ). The slope of the scattering of the results is a relatively straight line, indicating a linear rather than a curvilinear relationship.

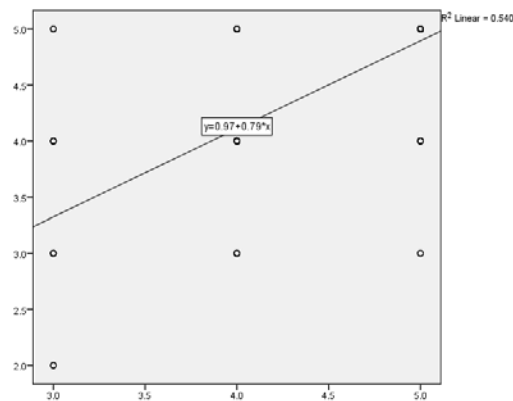


**Figure no. 4. Dispersion diagram - correlation between I2. Process innovation and I3. Organizational innovation**

Source: processing data obtained through SPSS program

A significant correlation between *I2.Process innovation* and *I3.Organizational innovation* ensures the increase of the company's performance by reducing administrative or transaction costs, improving job satisfaction or reducing supply costs.

5. Between *I2.Process innovation* and *I4.Marketing innovation* there is a very significant positive relationship ( $\rho = 0.84$ ,  $df = 512$ ,  $p < 0.001$ ). The scatter plot reveals that the point spread is relatively limited, which indicates a moderate to strong correlation ( $R^2 = 0.54$ ) - Figure no. 5 The slope of the scattering of the results is a relatively straight line, indicating a linear rather than a curvilinear relationship.

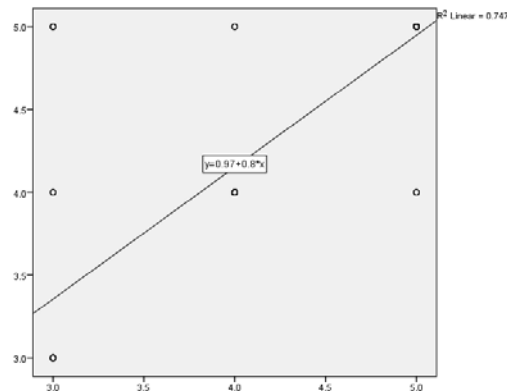


**Figure no. 5. Dispersion diagram - correlation between I2. Process innovation and I4. Marketing innovation**

Source: processing data obtained through SPSS program

Correlation between *I2.Process innovation* and *I4.Marketing innovation* applies when all the channels that a company has at its disposal and the way it uses them, to connect customers and users with new offers. This correlation is manifested by understanding the needs of consumers and by satisfying those needs through different offers, not only related to the product.

6. There is a very significant positive relationship ( $\rho = 0.89$ ,  $df = 512$ ,  $p < 0.001$ ) and between *I3. Organizational innovation* and *I4. Marketing innovation* (Table no. 1). The scatter plot (Figure no. 6) reveals that the point spread is relatively limited, which indicates a moderate to strong correlation ( $R^2 = 0.74$ ). The slope of the scattering of the results is a relatively straight line, indicating a linear rather than a curvilinear relationship.



**Figure no. 6. Dispersion diagram - the correlation between I3. Organizational innovation and I4. Marketing innovation**

Source: processing data obtained through SPSS program

Correlation between I3. *Organizational innovation* and I4. *Marketing innovation* aims to analyze the economic situation on the market in order to develop market segmentation, to develop demand and to shape consumer behavior. Such a high correlation can aim to improve the efficiency of the company by reducing administrative or operating costs, increasing employee satisfaction or lowering supply costs.

## Conclusions

In a competitive, ever-changing environment, innovation is an essential activity for the development / survival of any organization in any field. Being a creative process, the innovation can come both from the departments specially designed to generate it, and through the feedback provided by suppliers, customers, the media or specialized studies conducted by authorities or competition. Applied correctly, innovation leads to increased turnover and profit and can contribute to building an impeccable brand image, which is passed from one generation of employees to another. Success can come from simply filtering out these ideas and identifying effective ways for organizations to continually benefit from motivated employees who can carry out the most ambitious plans. Without an innovation-oriented vision, a business may face a loss of market share, declining production, migrating employees to competition or even disappearing.

Organizations on the road to innovation have several ways to achieve this:

- developing marketing concepts perfectly adapted to the market;
- adopting a sustainable business model;
- development of new services or products;
- rapid transition from idea to service or from prototype to product;
- improving production and maintaining its low costs;
- gradually building a consistent brand image.

Innovation should be manifested in all activities of the company: in the development of new technologies, products and services, in marketing, sales techniques, in organizational methods, new management techniques. Innovation is influenced by the depth of the knowledge process and the diversity of approaches at the organizational level.

In conclusion we can say that innovation in business is important because:

- helps increase productivity;

- helps reduce costs;
- helps to promote the company's values;
- helps to create new partnerships or business relationships;
- helps increase the company's profit.

Organizational efficiency, based on innovation, is achieved by reducing the distance between strategy, operation, structure and people - with a special focus on implementation. Organizational change should be thought through beforehand and be part of a conscious decision as part of a management to improve the performance of the enterprise. This does not mean that organizational change must be successful in order to be counted as an innovation only if there is a measurable change in performance, such as productivity or direct sales.

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