

UNDERSTANDING INNOVATION

Katerina Kozludzhova

Plovdiv University "Paisij Hilendarski", 24 Tzar Asen Str., 4004 Plovdiv, Bulgaria

Abstract

Innovation is the main driver of economic progress. Since 1984, the European Union has run its research and innovation policy and funding on the basis of multiannual framework programmes. Horizon 2020 is the biggest EU research and innovation programme ever. Almost 80 billion euro will be invested in the period 2014–2020 in research and innovation projects. Europe's future is connected to its power to innovate: to turn great ideas into products and services that bring growth and create jobs. But what does innovation really mean? People often use this word. They use it because it is popular, it is modern, creates image. Thus, innovation is often used as an empty word, with no meaning. Calling a thing an innovation does not make it so. Nowadays, it is critically important for everyone to understand and to use properly the term of innovation. Creating innovation that solves important problems and ensures economic growth starts with its proper understanding. Understanding innovation is essential.

This paper presents a thorough research of different definitions of innovation explained in the scientific literature. This paper compares different authors' views and perceptions of innovation. These views change over time. Having the great idea and creating something new is becoming just a basic element. In this paper I try to present my deep understanding of innovation that gives that empty word a meaningful content. A content that gives the confidence to say "Yes, we innovate and that makes us grow".

Key words: Horizon 2020, innovation, change, invention, creativity, implementation, market needs

1. INTRODUCTION

Back in 2000 the European Council defined the objective of the ten-year development strategy, the so-called "Lisbon strategy" for the European Union (EU) "to become the most dynamic and competitive knowledge-based economy in the world by 2010 capable of sustainable economic growth with more and better jobs and greater social cohesion and respect for the environment"¹. A key goal of the Lisbon Strategy has been to speed up the transition towards a knowledge-driven economy, in which education and training, research and innovation contribute efficiently to growth. The Lisbon strategy for growth and jobs gave way in 2010 to the Europe 2020 strategy. Europe's competitiveness, the capacity to create millions of new jobs to replace those lost in the crisis and, overall, the future standard of living depends on the ability to drive innovation in products, services, business and social processes and models. **Innovation has been placed at the heart of the Europe 2020 strategy.** Horizon 2020 is the financial instrument that implements Europe 2020 strategy. Horizon 2020 is the biggest EU Research and Innovation programme ever with nearly €80 billion of funding available over 7 years (2014 to 2020). It promises more breakthroughs, discoveries and world-firsts by taking great ideas from the lab to the market. The goal is to ensure Europe produces world-class science, removes barriers to innovation and makes it easier for the public and private sectors to work together in delivering innovation. The suggested support for research and innovation under Horizon 2020 will:

1. Strengthen the EU's position in science with a dedicated budget of € 22.3 billion. This will provide a boost to top-level research in Europe;
2. Strengthen industrial leadership in innovation with a budget of € 15.5 billion. This includes major investment in key technologies, greater access to capital and support for SMEs;

¹ European Commission, (2010), *Lisbon Strategy evaluation document*, SEC (2010) 114 final, Brussels.

3. Provide € 27.05 billion to help address major concerns shared by all Europeans seen as societal challenges.

The European Union's ambition is to become the most competitive knowledge-based economy in the world. This includes the objective of increasing spending on Research and Development to 3% of GDP by 2020.² Innovation is the only means of tackling the major societal challenges such as climate change, scarce natural resources and an aging society, while fostering jobs and growth. The EU's innovation policy aims to create framework conditions that favour innovation and that allow bringing ideas to market.

Being innovative starts with understanding innovations. We hear the term of innovation all the time, but what is innovation? We know that it is something new, a novel idea or product or practice, but it is much more than that. This paper presents to you a thorough research of different definitions of the term of innovation explained in the scientific literature. In this paper I try to present to you my deep understanding of innovation that gives that empty word a meaningful content.

According to the European Innovation Scoreboard 2016³ Bulgaria is a Modest Innovator with innovation performance well below that of the EU average. For all the EU State Members, the report shows positive trends in human resources, and the attractiveness, openness and quality of research systems, but negative trends both in research investment and in the framework conditions for business engagement in venture capital and SME innovation. Europe's future depends on becoming a place where innovation flourishes and where businesses develop new products and services. Europe needs market-creating innovation for sustainable economic growth, more and better jobs, an improved quality of life and economic opportunities for all citizens.

Understanding innovation is a starting point that ensures the successfulness of the EU's innovation policies and the achievement of its goals.

2. LITERATURE RESEARCH ON THE TERM OF INNOVATION

The term "innovation" evolved from the legal term "novation", which according to etymological dictionaries, means "replacement of an old obligation by a new one".⁴ A conclusion could be made that innovation means change. The term was further used in the eighteenth and nineteenth century in anthropology to study cultural change. It was defined as "any thought, behaviour, or thing that is new because it is qualitatively different from existing forms"⁵ (Barnett, 1953, p.7). Innovation didn't become an important and popular word until the 1900's. A modern understanding of the word "innovation" is given by the Austrian economist named Joseph Alois Schumpeter⁶.

First, it is important to say that innovation differs from invention. Schumpeter offers definitions of "invention" and "innovation" that seem to have stuck with us till today. He sees invention as the creation of something new without any consideration of its economic influence or impact. Innovation, on the other hand, he sees as the molding of inventions into profitable business models. Schumpeter is the first to draw attention to the importance of innovations. In his book "The Theory of Economic Development:

² European Commission, (2011), *Horizon 2020 - The Framework Programme for Research and Innovation*, COM (2011) 808 final, Brussels.

³ Previously called the Innovation Union Scoreboard. The European Innovation Scoreboard 2016 gives an assessment of the EU and Member States' innovation performance, as well as that of key international competitors. Its 25 indicators give a detailed analysis of the strengths and weaknesses of Member States on the basis of important innovation drivers – from research systems and public and private investment, to the economic effects of innovation.

⁴ Source: http://www.etymonline.com/index.php?allowed_in_frame=0&search=novation

⁵ Barnett, H 1953, *Innovation: The Basis of Cultural Change*, McGrawHill Book Company, Inc., New York.

⁶ Joseph Alois Schumpeter (1883-1950) was an Austrian-born American economist and political scientist. He was a professor of economics at the University of Göttingen and at Bonn. In 1932 he became a professor at Harvard University where he remained until the end of his career. One of the most influential economists of the 20th century, Schumpeter popularized the term "creative destruction" in economics.

An Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle”⁷ Schumpeter defines innovation as a novel output through the generation of new combinations, and he distinguishes among five types of innovation:

1. “The introduction of a new good – that is one with which consumers are not yet familiar – or a new quality of a good;
2. The introduction of a new method of production, that is one not yet tested by experience in the branch of manufacture concerned, which need by no means be founded upon a discovery scientifically new, and can also exist in a new way of handling a commodity commercially;
3. The opening of a new market, that is a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before;
4. The conquest of a new source of supply or raw materials or half-manufactured goods, again irrespective of whether this source already exists or whether it has first to be created;
5. The carrying out of the new organization of any industry, like the creation of a monopoly position or the breaking up of a monopoly position”⁸ (Schumpeter, 1983, p. 66).

Schumpeter says that “innovation is the new old magic formula to survive, act and compete efficiently in the long run”. He argues that economic development is driven by innovation through a dynamic process in which new technologies replace the old, a process he labels “creative destruction”. In Schumpeter’s view, “radical” innovations create major disruptive changes, whereas “incremental” innovations continuously advance the process of change. Schumpeter describes innovation as the commercial or industrial application of something new – a new product, process or method of production, a new market or source of supply, a new form of commercial, business or financial organization. He shows that development is a historical process of structural changes driven by innovation and defines innovation as new combinations leading to new products, processes, organizations, inputs and markets (Schumpeter, 1983, p.133). “The pure new idea is not adequate by itself to lead to implementation...It must be taken up by a strong character (entrepreneur) and implemented through his influence”⁹ (Schumpeter, 1912, p.543). It is not the power of ideas but the power of power that gets things done. Schumpeter uses the term entrepreneur to describe the people behind the innovation, those who pick up an idea and drive it toward support and use within an organization. “The carrying out of new combinations is quite difficult; only people with specific qualities can do it. These are the special type of entrepreneurs” (Schumpeter, 1983, p.81). Schumpeter gives the role of “the carrying out of new combinations” to the entrepreneur. This is the person who is capable of doing innovative activities and this is the way the economy grows. To Schumpeter many inventors have become entrepreneurs, but there is no necessary connection between the two functions: “The inventor produces ideas; the entrepreneur “gets things done” (Schumpeter, 1991, p.413). The defining characteristic is simply the doing of new things or the doing of things that are already being done in a new way (innovation)”¹⁰ (Schumpeter, 1991, p.412).

Some authors define the term of innovation as a source of getting a competitive advantage. According to Jean Tirole¹¹ “firms innovate to defend their existing competitive position as well as to seek new competitive advantages. A firm may take a reactive approach and innovate to avoid losing market share to an innovative competitor. Or it may take a proactive approach to gain a strategic market position

⁷ This book was first published in 1911 under the name “Theorie der wirtschaftlichen Entwicklung” and the first English edition was published in 1934. ‘The Theory of Economic Development’ is still one of the most famous and influential books in the entire field of economics. This book was published when Joseph Schumpeter was only 28 years old and he considered it to be his seminal work.

⁸ Schumpeter, J 1983, *The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle*, Transaction Publishers, New Jersey.

⁹ Schumpeter, J 1912, *The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle*, Transaction Publishers, New Brunswick, New Jersey.

¹⁰ Schumpeter, J 1991, *The Economics and Sociology of Capitalism*, Princeton University Press, New Jersey.

¹¹ Jean Tirole (born 9 August 1953) is a French professor of economics. He focuses on industrial organization, banking and finance, and economics and psychology. In 2014 he was awarded the Nobel Memorial Prize in Economic Sciences for his analysis of market power and regulation.

relative to its competitors, for example by developing and then trying to enforce higher technical standards for the products it produces" (Tirole, 1995, p.10).

Michael Porter (1990, p.7) also says that "Firms get a competitive advantage through an innovation".

Some authors think of the innovation as a process. Baregheh, Rowley and Sambrook (2009, p.1334) say that innovation is "the multi-stage process whereby organizations transform ideas into new/improved products, services or processes, in order to advance, compete and differentiate themselves successfully in their marketplace (Baregheh, Rowley and Sambrook, 2009, p.1334).

"Innovation entails a change in production, either in the processes employed or in the products created. Innovations normally involve a combined or related change of both processes and products" (Molero, 1995, p.21). „Innovation is neither just a matter of superior scientific knowledge, nor of breakthrough inventions. Innovation may be characterized as an interactive process of generation, acquisition, transfer and use of knowledge, aiming at developing and/or adopting new products and/or processes" (Molero, 1995, p.216).

Bruce Merrifield defines the innovation as a process of three stages. "The three stages in the process of innovation: invention, translation and commercialization" (Merrifield, 1986, p.10-13).

Words as "novelty" and "renewal" are significant. The Organization for Economic Co-operation and Development¹² (OECD) and the European Commission proposed guidelines for collecting and interpreting technological innovation data – OSLO Manual. The Oslo Manual (3rd edition, 2005, p.46-48) gives the following definition of the term of innovation: "An innovation is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations. The minimum requirement for an innovation is that the product, process, marketing method or organisational method must be new (or significantly improved) to the firm. This includes products, processes and methods that firms are the first to develop and those that have been adopted from other firms or organisations. A common feature of an innovation is that it must have been implemented. A new or improved product is implemented when it is introduced on the market. New processes, marketing methods or organisational methods are implemented when they are brought into actual use in the firm's operations. Innovation activities vary greatly in their nature from firm to firm. Some firms engage in well-defined innovation projects, such as the development and introduction of a new product, whereas others primarily make continuous improvements to their products, processes and operations. Both types of firms can be innovative: an innovation can consist of the implementation of a single significant change, or of a series of smaller incremental changes that together constitute a significant change. A product/process innovative firm is one that has implemented a new or significantly improved product or process during the period under review".

"Innovations are new ideas that consist of new products and services, new use of existing products, new markets for existing products or new marketing methods" (Simmonds, 1986). "Innovation can be defined as "a process that provides added value and a degree of novelty to the organization, suppliers and customers, developing new procedures, solutions, products and services and new ways of marketing" (Lumpkin and Dess, 1996).

In their book „Innovation Implementation in High Technology Manufacturing: A Chaos-Theoretic Empirical Analysis“, Jayanthi and Kingshuk (1998, p. 472) also focus on the idea of newness. „We consider innovation as an idea that is perceived to be new by the organization although it may appear to be an imitation of something that exists elsewhere“.

For many authors it is important to see and catch the opportunity. In their book „Innovation and Entrepreneurship“ John Bessant and Joe Tidd define innovation as: „the skill to recognize the opportunity and to create ways to get use of it" (Bessant, 2007, p.6). According to the authors the innovation is not just about creating new markets but creating new ways of performing on existing

¹² The Organisation for Economic Co-operation and Development (OECD) is an economic organisation with 35 member countries, founded in 1960 to stimulate economic progress. Its mission is to promote policies that will improve the economic and social well-being of people around the world.

markets. John Bessant and Joe Tidd also say that „Innovation doesn't just happen. It is driven by entrepreneurship. This powerful mixture of energy, vision, passion, commitment, judgement, and hard work which enables good ideas to become reality” (Bessant, 2007, p.10).

Peter Drucker in his book „Innovation and Entrepreneurship”¹³ says that innovation is “the act that endows resources with a new capacity to create wealth. Innovation, indeed, creates a resource. There is no such thing as a “resource” until man finds a use for something in nature and thus endows it with economic value” (Drucker, 1993, p.36). The author continues saying that “Innovations are specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service. It is capable of being presented as a discipline, capable of being learned, capable of being practiced. Entrepreneurs need to search purposefully for the sources of innovation, the changes and their symptoms that indicate opportunities for successful innovation. And they need to know and to apply the principles of successful innovation” (Drucker, 1993, p.36).

Then, comes the crucial condition for the innovation to happen – the market. In their book „The Economics of Industrial Innovation” Christopher Freeman¹⁴ and Luc Soete¹⁵ (1997, p.201) define innovation as” the first commercial application or production of a new process or product, it follows that the crucial contribution of the entrepreneur is to link the novel ideas and the market”.

Peter Witt (2010, p.202) says that “the introduction of the innovation in the market and the commercial success that comes with are used as main criteria”.

Michael Freudenberg (2003, p.14) says that: „Innovation can be defined as development, deployment and economic utilization of new products, process and services, and is an increasingly important contributor to sustained economic growth, both at microeconomic and macroeconomic levels”.

Mark Dodgson (2008, p.15) says that: “Innovation is the successful commercial exploitation of new ideas. It includes the scientific, technological, organizational, financial and business activities leading to the commercial introduction of a new (or improved) product or service”. Mark Dodgson and David Gann (2010, p.7) “think about innovation as ideas, successfully applied in organizational outcomes and processes. Innovation can be thought of as practical and functional: the outcomes of innovation are new products and services, or they are the organizational processes supporting innovation that occur in departments such as R&D, Engineering, Design, Marketing. Innovation can also be thought of more conceptually: the outcomes of innovation are enhanced knowledge and judgement, or they are processes that support the capacity of organizations to learn”.

Robert Mellor¹⁶ (2011, p.26) defines innovations as: Invention plus application” or “Creativity plus applications”.

Jan Verloop¹⁷, in his book „Success in Innovation – Improving the Odds by understanding the factors for unsucces “, defines the innovation as “a process that develops an invention or a creative idea into a novel product and brings it to a user or customer, and that process is risky and needs an entrepreneur willing to take that risk. Innovation is bringing an insightful idea successfully to the market” (Verloop, 2013, p.3). The author brings several features of the innovation:

¹³ Drucker, P 1985, *Innovation and Entrepreneurship: Practice and Principles*, Harper Business, New York.

¹⁴ Christopher Freeman is a professor and a founder of “Science Policy Research Unit” at University of Sussex, England. His fields of specialization were the economics of innovation and technical change, science and technology indicators, the diffusion of technologies, structural change in the world economy.

¹⁵ Luc Soete is a professor of International Economic Relations at the School of Business and Economics, Maastricht University, and former director of UNU-MERIT (Institute on Innovation and Technology).

¹⁶ Molero, J 1995, *Technological Innovations, Multinational Corporations and the New international competitiveness, The case of Intermediate Countries*, Harwood Academic publishers.

¹⁷ Jan Verloop is consultant in innovation. He advises both start-up and multinationals in Europe, Asia, and America and has built up first-hand experience with successful and failed innovation projects. He is a non-executive director of Oxford Catalysts, a very successful start-up company which started in the cellars of Oxford University and now has facilities in the UK and the USA. He has lectured and advised on innovation in developing countries at major international conferences and smaller think-tank sessions with heads of state and leaders in government and business.

1. “Innovation is not a one-off act or a flash of insight, but a process;
2. Innovation needs insight. A creative idea by itself is not enough, but the new idea needs to be grounded in understanding its specific merits, such as the value to the customer and the requirements of the market place;
3. It is not the technology but the market that determines the fate of the innovation;
4. Market means here a collection of customers that use the innovative product, whether they have paid for it or not. This implies that customer needs and satisfaction must have a central position in an Innovation effort;
5. The word “successfully” reflects a key insight: if the novel product is not adopted by (a sufficient number of) customers, it is not an innovation.”

The author says that “a starting innovator has to achieve three things:

1. Develop a new product;
2. Convince investors to finance the innovation effort;
3. Find customers that are willing to use (and pay for) the novel product;
4. Developing and organizing the capabilities for making and selling the product profitably” (Verloop, 2013, p.4).

In his book „An integrative model of innovation in organizations” Tang (1998, p.298) sees innovation in terms of projects towards specific innovations. He says: „Innovation is a process of raising and doing projects with the aim of commercializing or utilizing an innovative product, process or service “.

“Innovation is the creation of new knowledge and ideas to facilitate new business outcomes, aimed at improving internal business processes and structures and to create market driven products and services. Innovation encompasses both radical and incremental innovation” (Plessis, 2007, p.21).

Harold Koontz and Heinz Weihrich¹⁸ (2015, p.30) say that the market implementation is the thing that distinguishes the innovation from the invention. They say: “Invention and innovation are different. Invention is finding new products, processes, or ideas, or combining them. Commercializing them, results in innovation which we define as the commercialization of new products, services, processes, or ideas. Innovation is not a one-time event; to be successful, it has to be continuous. Apple, one of the most innovative companies, started with the computer, continued with the iPod, the iPhone and the iPad. Similarly, Amazon started with books, continued with the Amazon Reader, and now offers the Amazon Fire that could be a low-cost alternative to the iPad. Typewriters progressed to computers using, for example, Microsoft Word. In the past, television viewers in the United States essentially had to choose from three networks, ABC, CBS, and NBC. Now they can choose from many cable or satellite providers. Moreover, consumers can now also view YouTube by Google and similar offerings by other companies on television. Invention is finding new products, processes, or ideas, or combining them. Innovation is the commercialization of new products, services, processes, or ideas”.

In his book „Public/private Partnership: Innovation Strategies and Policy alternatives, Albert Link¹⁹ (2006, p.53) defines innovation as: „something new that has been brought into use. When the innovation is itself the final marketable result, it is sometimes referred to as a product innovation. When the innovation is applied in a subsequent production process, it is referred to as a process innovation (meaning that its application affects a production process)”.

¹⁸ Koontz, H & Weihrich, H 2015, *Essentials of Management: An International, Innovation, and Leadership Perspective*, 10th edn, McGraw Hill Education, New Delhi.

¹⁹ Link, A 2006, *Public/Private Partnerships: Innovation Strategies and Policy Alternatives*, Springer Science & Business Media

Innovation is a change and ability to adopt. In his book „Organizational Innovation: A Meta-Analysis of Effects of Determinants and Moderators“, Fariborz Damanpour²⁰ focuses on innovation as a mean of changing an organization, and emphasizes the role of its external environment in provoking and shaping those changes. He says that “Organizations may introduce changes induced by environmental pressures (such as competition or deregulation) or by internal choices (such as plans to gain competitive advantage or to increase operational efficiency). The changes that organizations effect can involve the adoption of new elements (such as new services for clients, a new technology, or a new organizational form) or the modification of existing elements (such as the adaptation of existing services to new clients, the upgrade of an operating process or system, or the improvement of a management process or system)”. The author says that the implementation of an innovation guarantee that the organization have an adaptive position and a change that improves its efficiently. Innovation is a mean for a change in the organization, an answer of the environmental and the organizational changes or a preventive action that influences the environment (Damanpour, 1991, p. 556). In his book „Bureaucracy and Innovation“, Victor Thompson (1969, p.5) gives the following definition of the term of innovation: „Innovation is the generation, acceptance and implementation of new processes, products or services for the first time within an organizational setting”. Innovation can be defined as the ability of the organization to change and adopt to the dynamic environmental factors.

Innovation is focused on customers' needs. Anthony Ulwick²¹ (2005, p.21) says that “innovation is indeed a science – a systematic process for creating products or services that delivers new value to customers – and not an art form that is forever destined to produce random and unpredictable results. Technically speaking, innovation is the process of creating a product or service solution that delivers significant new customer value. The process begins with the selection of the customer and market, includes the identification and prioritization of opportunities, and ends with the creation of an innovative product concept that delivers the new and significant value. In more practical terms, innovation is simply the process of figuring out “what customers want“. Innovation is “a new technology or combination of technologies introduced commercially to meet a user or a market need”²² (Utterback и Abernathy, 1975, p.642).

According to Gruber and Marquis²³ (1969, p.256) “innovation is the use of an invention to satisfy a demand or need”.

Michaele O'Dwyer (2009, p.1) says that “Innovation refers to an enterprise –wide pervasive attitude focusing on either the process of, or introduction of change, based on creativity, success, profitability and customer satisfaction”.

Successful innovation means growth. Hans-Jörg Bullinger and Gerhard Schlick (2002, p.16) define innovation “as solution which uses a new approach to produce a profit. It comprises the entire process from the idea via development and production through to market launch or realization. The criterion of economic success can thus be replaced by the more general idea of profit, and the launch of a product on the market by the realization of a new approach or a new idea. Here, though, both the profit and the realization must incorporate an additional time dimension. A purely short term profit or the implementation of an idea on only a temporary basis would not have the power to cause an economic, social, or environmental change which is necessary to be considered as an innovation — a new business model which is introduced but cannot establish itself on the market is no more an innovation than a quality management system which only raises the quality of a product in the first two weeks. The time component emphasizes the central characteristic of the uncertainty and unpredictability of innovations — whether something is an innovation or not can never be determined a priori, but only in retrospect”.

²⁰ Fariborz Damanpour is a professor of Innovation Management at the Rutgers Business School, USA. His research focuses on the management of innovation and technology.

²¹ Ulwick, A 2005, *What customers want: Using Outcome-Driven Innovation to Create Breakthrough Products and Services*, McGraw-Hill Education.

²² Utterback, J & Abernathy, W 1975, ‘A Dynamic Model of Process and Product Innovation’, *OMEGA, The International Journal of Management Science*, vol.3, no.6, pp. 639–656.

²³ Marquis, D & Gruber W 1996, *Factors in the Transfer of Technology*, MIT Pres, Cambridge.

3. CONCLUSION

Researching the different definitions of the term of innovation in the scientific literature, I can make the following conclusions:

1. Innovation means change;
2. Innovation is a change in product or services, process, marketing or organizational method;
3. Change could be the creation of entirely new product or services, process, marketing or organizational method or the improvement of existing ones;
4. The minimum requirement for an innovation is that the product, process, marketing method or organisational method must be new (or significantly improved) to the firm;
5. Innovation is not a one-act activity; it is a process;
6. Innovation involves creativity and invention. It is a creative idea; it is an invention. But innovation is not just that;
7. Innovation is the market implementation of the creative idea and the new (or significantly improved) products, services, process or methods. A new or improved product or service is implemented when it is introduced on the market. New processes, marketing methods or organisational methods are implemented when they are brought into actual use in the firm's operations;
8. Market implemented innovation aims to satisfy customers' needs;
9. Innovation implemented within the organization aims to improve its operations;
10. Innovation has an impact. Impact means to satisfy customers' needs, to improve their living standards. Regarding the firms, impact means to improve their business processes and operations;
11. Having that impact, innovation alters markets, people, and society in a way that creates growth;
12. The successfulness of the created innovation relates to its market commercialization among a sufficient number of customers.

Or, I can sum up by saying that the innovation has four elements: 1. Change (renewal or improvement) – Innovation is a change in product or services, process, marketing or organizational method; 2. Implementation (market or organizational); 3. Impact (satisfying customer needs, improving organizational functions); 4. Market realization (commercialization among sufficient number of customers and gaining profit for the firms). Thinking about market innovation means thinking about customers' needs and problems, understanding these problems and creating solutions to these problems by means of new or improved product or services. Then, implementing those solutions and evaluating the impact, the positive impact that turns the solution into innovation. Then, having the innovation created and once accepted by one or a group of customers with its positive impact, firms spread it, spread it to a larger group of customers, satisfying the needs of that larger group of customers. Then innovation turns into growth, the economic growth that the European policies are aiming to achieve.

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