

SUSTAINABILITY AND INNOVATION – PREREQUISITES FOR THE ECONOMIC DEVELOPMENT

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Abstract: *The company's sustainability represents the results of investments in modern technology and diversification of activity that lead to productivity growth and increased turnover. Innovation is at the heart of every successful organization, an engine for economic growth and the promotor of company competitiveness. Innovation consists in creating or adapting a product or service and putting it on the market successfully. These will be possible by applying an organizational, managerial and commercial system in order to increase the economic competitiveness of the company. The company's development strategy to expand the customer network, the range of products and services will reduce the financial risks and increase the investment sustainability. Moreover, the development of a new range of products and a marketing strategy to increase the market share will create a favorable image of the company, thus contributing to competitiveness and long-term economic performance.*

Keywords: *sustainability, innovation, business, company, economic development*

Jel Classification: *O3.*

1. Introduction

Sustainability should be integrated into economic development strategies of companies. The company's development strategy aimed at expanding its customer network and range of products and services will reduce financial risks and increase the investments sustainability.

Companies should consider the risks and use these challenges to achieve long-term commercial success.

However, the business environment must contribute to innovations and finding tailored solutions. Productivity and turnover will increase due to investment in modern technology.

2. Sustainability in business

Climate change, sustainability and environmental policies are becoming increasingly important for all organizations and many representatives of the business environment recognize that sustainability influence companies' development. There are companies with high performance team with knowledge and skills that can create new economic opportunities.

More and more companies understand the importance of sustainability issues and their integration into development strategies of the organization.

Globally, sustainability is an important area for companies. Companies worldwide have concerns in this regard, care for the environment, consumer health, climate change, recycling.

Sustainability is a critical issue for emerging markets where companies goal is economic growth, but also we should consider the impact on the environment and the communities in which it operates.

Also, companies are concerned to reduce emissions, consume less raw materials and protect nature. This is also the case of the business environment from Romania which have increased their activities in order to develop more "green" business. Unilever, for example, has several directions included in their sustainability plan. Some of them are concretely related to money. For 13 years, Unilever is the leader in the Dow Jones Sustainability World Indexes among food producers (Business Magazin, 2018).

Sustainability stands today the success of a business and its continuity and exclusive focus on financial performance could lead to losing sight of important issues for the company, but also for society as a whole, as rational management of finite resources of planet. These are some of the key findings of the PwC Business Success Beyond the short term, based on the results of the 17th edition of the survey PwC Global CEO Survey.

Incorporating sustainability in the business model performance is important not only to achieve a competitive advantage for companies, but also to increase efficient and socially responsible.

Companies sustainability means more than using energy saving bulbs and recycle waste, requires more than the activity undertaken by the business units of social responsibility. Sustainability includes also procurement activities, finance, risk management, strategy, technology, relations with investors and the involvement of human resources department (Revista Biz, 2018).

3. Innovation and Economic Development

Innovation is an engine for economic growth and is at the heart of every successful organisation.

There are three main reasons for the low level of Research & Development and Innovation activities in enterprises:

- the public research base is not oriented to the demands of the economy, and in many fields is poorly developed;
- the enterprises hesitate to increase their competitiveness based on research and innovation activities because of high market risks and technological uncertainties, some progress as registered in the last period through the research programmes launched by the Ministry of Education;
- the financial markets are not supportive enough in order to encourage research activities;

In order to determine a significant increase of the volume of Research & Development and Innovation (RDI) activities developed by or for the enterprises, the government policies in the Research & Development (R&D) field pursue the following main directions:

- stimulation of R&D activities achieved in partnership between R&D profile organisations and enterprises;
- the development of the activities and infrastructures specialized for technology transfer and innovation.
- direct support for RDI activities in enterprises;
- investments in public, and private research infrastructures.

The idea of an economic activity is fundamental in creating a business. In selecting the ideas, it is necessary to point out two important points:

- there is a good idea in itself, there is, however, appropriate ideas that can be developed and ideas that remain just an idea. Therefore, we can say that the idea should be linked to a plan to allow its implementation;
- the idea is creative when it is linked to an opportunity because the development of a business aims to satisfy economic needs in terms of efficiency. Therefore, novelty, originality and innovation are not binding points in creating a business, but are necessary for higher benefit of opportunities and for a more profitable activity.

Creating business originates finding economic needs not covered by existing offers, but by the simple idea that may prove to be excellent in terms of initiating a business. If the idea is new, it must be proven its acceptance by future customers. If it leverages an

established business will question the real utility in relation to the existent offer on the market, product features or service in question, utility, performance prescribed, operating principles of the business created.

An important role in formulating the business idea is the creativity that allows the development of new ideas, original, in conjunction with opportunities.

Before you commit time and money to implement the business idea, you must verify the suitability and viability. Thus, there will be a series of investigations to determine the risks and conditions for success, realistic idea and likely outcomes.

It is believed that for a new economic activity, the most important point is the idea. Without this statement to be a certainty, it should be recognized that the idea underlying the business may have a decisive role.

Every good business idea that work, there are a thousand that do not. Therefore, it will save time, hassle and money if the ideas are tested before implementing them. This will acknowledge that the idea is not so good and can lead to saving time and money.

The process of testing new business ideas leads entrepreneurs to consider the main issues that should consider creating a new business concept. Ultimately, these efforts will allow turning ideas into one with real chances of success.

Innovation is the key to increasing competitiveness of European businesses and support economic growth.

Expenses for research and development companies in Europe are considerably lower than in the United States.

There is also a strong correlation between innovation and human resource development. It is noticed the absence of correlation between the needs and the offer in the educational field.

Despite the large number of graduates in science, Europe is facing a shortage of researchers and scientists.

Moreover, European education and training seem unable to provide a workforce with the skills and knowledge to meet the needs of a competitive economy. This mismatch is a serious obstacle to economic growth and innovation. Therefore, at the institutional level, it should be improved the work environment for scientists and researchers in order to make it more attractive to them.

Until recently, innovation policy focus on technology-based research in mostly aimed at the industrial sector. Innovation means creation, adoption or adaptation of a product, new or improved service or process production and its successful market introduction. Therefore, when it comes to innovation, we consider a whole system of organizational, managerial, commercial and educational as a key factor contributing to the economic competitiveness of a company and the regional economy which it belongs. The core innovation is formed by the human and social aspects, creative people whose collective capacity shape the future that they desire.

Foundation to support increasing innovative capacity is the culture on innovation forming and changing young people's attitudes towards education process. Innovation culture, closely related to the entrepreneurship should be included in school curricula, as well as universities and supported by public policy.

Promoting innovation and entrepreneurship is a priority. Europe has a vast innovation potential - but needs to step up its efforts to bring innovation to the real economy. It is essential to stimulate interaction between industry and research institutions if we are to make the most of our entrepreneurial spirit. The industrial sector is a vital source of growth and employment and will continue to play an important role in the knowledge.

Creating the conditions for a much higher percentage of entrepreneurs who start a business to succeed to develop it, will support economic growth and prosperity. It is

therefore vital that all institutions and economic partners to promote a true culture of entrepreneurship.

4. Research and modern technology

Innovation requires an adequate research infrastructure, resource efficiency and new ways of organizing. It is necessary to promote cooperation - both international and interregional cooperation - leading to the development and involvement of SMEs along with large companies. It is also necessary to support regional centers of excellence, bringing together major regional factors important from economic and scientific point of view.

At national level, the following areas of innovation, research and knowledge-based society are the most important: improving conditions for public and private investment in science and research; human resource development in a knowledge-based society and all institutions operating in this field (schools, universities, postgraduate education, health and employment) as a crucial factor underpinning competitiveness; innovation in terms of technology, social and institutional environment etc.

Therefore, it requires major objective for Romania achieving a dynamic and competitive economic environment, able to assimilate and to develop high technology fields and to respond to strategic needs of long-term development in the context of the increase of global knowledge-based economy.

Technology and changing technology has basically nothing to do with initiating the transformation from "good" to "excellent". Technology can accelerate a transformation, but it can not determine a transformation (Collins, 2006, p.25).

From this perspective, Romania is directly interested to develop capacity and increase competitiveness of RDI, which must provide the resources and infrastructure required to:

- securing and developing the internal sources in the field of science and technics as well as the equipment and the cutting-edge technical facilities required for the development of the sectors and specific areas of advanced technologies;

- increasing the uptake, implementation and development of knowledge, services and advanced technologies in the economic and social fields, to cope with technological developments at European and international level, thus ensuring sustainable growth of economic competitiveness.

It is expected that the activities in RDI to have a multisectoral and interdisciplinary approach taking into consideration the market needs. In industry, an important role is due to innovation and its specific activities: marketing technology, knowledge transfer, implementation of business.

In this context, there are envisaged activities in the field of accreditation, certification and testing, metrology and standardization, taking into account European and international requirements and practices aimed at eliminating technical barriers and ensure the free movement of goods. To create an objective picture of market delimitation of interests is necessary to conduct an analysis at micro and macro economic level (Puiu, 2017, p.27).

Increasing competitiveness by improving market access for businesses, especially small and medium enterprises can be achieved by: creating a favorable environment for business funding; development of business infrastructure (supporting incubators, business development centers, development of emerging clusters); increase the competitiveness of Romanian tourism and improving Romania's image by promoting tourism potential (national tourism brand development).

The development of the knowledge-based economy by promoting research and innovation and accelerate the development of information society can be implemented as

follows: encouraging the research&development spending (directly by increasing public expenditure on research and development, indirectly through actions such as: risk funds, fiscal measures, indirect tax, promotional campaigns); strengthening business cooperation with universities and research institutes; encouraging the use of information technology; development and improvement of public services (e-government, e-health); development of a safe and dynamic e-business.

Strengthening cooperation of companies with universities and research institutes is an important factor in terms of business infrastructure development.

The significant increase of the link between policy research, development and innovation with other government policies (infrastructure, rural development, regional development, environment, etc.) as well as support for productive investment (equipment and technologies) and supporting innovative capacity, the companies will allow the adaptation of production to international market requirements, so the development of modern economy. Romania is interested in supporting EU policies on development of small and medium enterprises. The small entrepreneurs want to receive fiscal deductions for their investments and believe that Government should pay more subsidized loans. Effects of innovation result on improving the quality of products or services, increase turnover and thus market share and productivity growth. Most entrepreneurs have used their own resources to launch or improve products or services.

As regards support for innovation, we can say that many SMEs turn to credit for innovation activities and only a small part receive financial support, patents and licenses granted by State. Both SMEs and large companies managers believe that the technologies enhancing the staff productivity are becoming increasingly necessary. Also, they believe that the technologies to remote access to communication networks are critical to efficient business activities. In addition, SMEs managers recognize the fact that business success is closely linked to security and data communications business. Moreover, they claim that, from this point of view, network security is a vital element.

5. Foreign investments in Romania

A prerequisite for economic development in Romania is represented by interest in foreign direct investment (FDI), which has a double motivation: on one hand, the foreign direct investment can play a complementary role that supplements the limited financial resources of the host country and on the other hand, it may play a role in overcoming structural inefficiencies through modern technological flows, management experience, but also facilitates the products access on the foreign market and balances the commercial activities and the payments. Therefore, it is necessary to attract foreign investment in the Romanian economy, as society and economy face a large number of unemployment with a low level of per capita income, many private companies operate with difficulty and there is not enough competitive domestic capital to exploit the material, human and natural resources of Romania.

It was developed a system of facilities for investors. Facilities shall be granted for investments in the fields of: agro-industrial processing activities; top fields of manufacturing; production and supply of electric and thermal energy; production of equipment for energy efficiency and the use of renewable energy resources; encourage the use of renewable energy resources for the production of electricity and/or heat; protect and improve the environment; water supply, sewerage, waste management; IT and communication; RDI and development of new products; services for the workforce.

If an investor intends to make an investment in Romania, in order to obtain certain facilities, it must submit its investment project together with the application for facilities to

the relevant authorities at central or local level. This application must be submitted prior to the implementation of the investment project.

Through foreign investment, there can be achieved the technology transfer and the innovation activity achieved using licenses and acquiring new technology. The problem is how to make access to technology, because sometimes outdated technology is provided. On the other hand, not always there are local human resources capable to operate the new technology and to make profit. Access to technology and advanced knowledge is more important than the amount invested and the import of technology mostly determine a research activity for adaptation to the host country conditions.

From the technological side, foreign direct investments contribute to the introduction of new technology that determines the production and marketing of a new product or reducing the price of an existent good, introduction and development of new skills to work with new technology in case the foreign direct investment involve flows of technology, as well. This advantage is very important for local firms because they use old and outdated equipment and technologies which lead to lower quality products and reduced performance.

6. Conclusions

An important role in increasing the competitiveness of industrial products and services are the development and optimize of the infrastructure for conformity assessment in industrial sectors in accordance with the principles and practices of the European Union.

The concerns for sustainability and innovation in business can contribute to create or adapt and introduce the new products or services on the market.

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