

УДК 65.01

Фрімпонг Кессе Дж. – ст. гр. ІБУМ-52

Тернопільський національний технічний університет імені Івана Пулюя

ФАКТОРИ СТИМУЛЮВАННЯ ІННОВАЦІЙ

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DRIVERS OF THE NEED FOR INNOVATION

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Ключові слова: інновації, фактори стимулювання, конкуренція, компанія.

Keywords: innovations, factors, competition, company.

Innovations are an important factor of success in a which is getting increasingly intense. Only those who are able to invent themselves over and over again and thus gain new competitive advantages will be able to survive in the long run. This is true for companies, organisations, teams, employees and countries.

Innovations result from ideas, if they are implemented in new products, services and processes, which find real usage and thus penetrate the market. Commercial success in the future will therefore depend mainly on the companies' abilities to create new products, ideas and processes or take up innovations quickly.

Innovation = ideas + new products/services + market implementation

Innovations do not always have to be completely new ideas. The term innovation rather means the implementation of something new and results in a noticeable improvement for the user. They are characterized by a special characteristic, clear originality and a noticeable user benefit. Innovations are as a result qualitative new products, services, processes, structures, markets and cultures ("Creative Trainer" project). Innovation is an opportunity for something new, different. It is always based on change. Innovators do not view any change as a threat but as an opportunity.

Today there is more and more discussion about the necessity for innovation in companies, which is subject to various factors. Few markets are stable and four main factors (see Figure 1) create the need for innovation: *technological advances*, *changing customers*, *intensified competition* and *changing business environment*.

1. **Technological Advances.** There are numerous examples of new technologies having a major influence on business. For instance, nanotechnology is increasingly being used in products, such as "easy to clean" surfaces. New technologies often create new industries and both biotechnology and multimedia have created significant employment over the past decades. In addition, new applications of established technologies are constantly emerging. With the vast array of technological developments, even multinational companies that used to conduct all their own basic research cannot keep abreast of all of the developments, using internal resources alone. Organizations need to monitor the progress of both the technologies they currently use and also that of potential substitutes. Technology is equally important for service companies and R&D is increasingly having a major impact on how service companies do business.

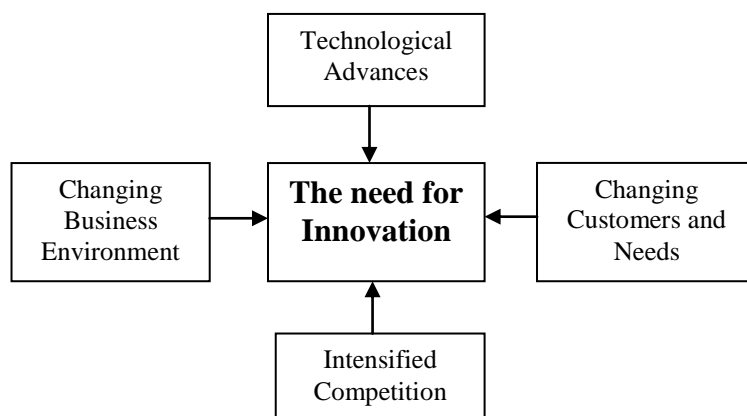


Figure 1. Drivers of the Need for Innovation (Keith Goffin, Rick Mitchell, 2010)

2. Changing Customers and Needs. The second driver of innovation is the changing characteristics and requirements of customers. Demographics show that many markets will evolve. For instance, the ageing population in the West will change many consumer markets. In contrast, other markets (for example, Southeast Asia) are largely made up of young consumers with different aspirations. The earnings in many newly industrialized countries will soar and demand for particular products and services will develop.

Changing customers also means that traditional market segments are disappearing or fragmenting and companies will need to adjust their product ranges accordingly. At the same time, there is the pressure for more environmentally acceptable, better value for money products and services. As basic needs are met, there is an additional challenge to innovation – determining customers' hidden needs.

3. Intensified Competition. The third driver is growing competition. Logistics costs have plummeted and, consequently, 'safe, home markets' are being threatened by foreign competition. Companies may also face competition from sources normally outside their industries.

4. Changing Business Environment. Business environments change and are always subject to change – sometimes gradual and sometimes radical. Gradually markets have become more open as the market economy has been embraced by most governments. Many companies have focused on cost cutting. A gradual reduction in the resources required for key business processes has been achieved. A continued focus on efficiency gains will bring only diminishing returns and cost-reduction myopia needs to be replaced by a focus on increasing revenues and profits through new products and services. Economic cycles have a radical impact. Downturns drive many companies to cut their investments in innovation but the winners which emerge have continued to invest.

Literature:

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