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INNOVATION STRATEGIES AND COMPETITIVE ADVANTAGES

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Abstract. Companies today operate in a very dynamic, uncertain and competitive environment. They compete in "nicety" that are so small but so important. Companies are trying to achieve competitive advantage in order to help them obtain a better and a stable position in the marketplace. The best way for companies to achieve a competitive advantage is through innovation.

This paper addresses the meaning of innovation what does innovation present, types of innovation specifically discussing the right way of usage. In order for companies to get the as more innovations as possible it is necessary for them to be familiar with the process of innovation and its principles which innovation was found on.

There are several types of innovation or ways in which companies can achieve innovation in a level of whole organization. This paper discusses the ways how that can be achieved-starting from their products and services, ways of selling, supply ect.

Innovation can be financed by merit-based awards (grants) and external equity, such as: business angels, venture capital and corporations.

Key words: innovation, principles, strategies, innovation sources, benefits, financing.

Introduction

All enterprises face competition which is getting more and more intelligent. Competition today it isn't about big things, elements that are very easily seen but it is about small things that anybody else haven't seen them. This is why almost all enterprises are in a search of creating competitive advantage against its competitors. In doing so each of these enterprises is in a search of some kind of innovation, in doing something different from the others or doing the same thing but in a different way. Understanding the real meaning, importance, types and their influence on enterprises profitability it is of a crucial importance for enterprises in order to use them in gaining the desired competitive advantage. Having an innovation dosen't mean that enterprises have sustainable competitive advantage. In order the innovation to be used in gaining competitive advantage enterprises need to have appropriate strategies in order to use these innovations in a proper way.

The Meaning of Innovation

Enterprises today act under a big pressure by other enterprises, which offer the same or similar production or service, or they are under the pressure of the customers who expect more and more from the product they consume. In order to face with the new conditions and situations, enterprises are made to continuously search for new ways of production, namely offering new products or enhancing existing ones. In other words, they should continuously introduce innovations. But, what in fact do innovations represent?

Innovation is a process of transforming the new ideas, new knowledge into new products and services. Joseph Schumpeter defines innovation as an activity which leads to new producing function, new product. He divides this activity in several steps, as follows (McDaniel, 2002, p.57-58):

a) Introducing a new product: the entrepreneur should produce, namely introduce a new product which can be easily sold and which is not offered in the market;

b) Introducing a new method of production: innovation should offer a new scheme of production which through existing inputs can lead to an increased output, decrease of costs per unit product, introduction of new inputs and change of existing ones;

c) Opening new markets: innovations can increase the sell in new regions, and also increase the number of customers;

d) Finding of appropriate sources of raw materials: The raw material supplier can often lower raw materials' quality or increase their price and this directly influences over the quality and the selling price of the new product. Therefore, the entrepreneur should find an appropriate source of inputs, which are needed for production of new products;

e) Establishing a new organization in the industry: Schumpeter describes this step as an entrance of the entrepreneur in the monopoly market, where there has been no competition previously; or creating conditions through which the entrepreneur would take the monopoly position in the market.

Lionnet (2003, p. 6) defines innovation as a process by which a novel idea is brought to the stage where it eventually produces money. It is a dynamic technical, economic and social process involving the interaction of people coming from different horizons, with different perspectives and different motivations. Ramadani and Gerguri

(2011, p.8) define innovations as a process of creating a new product or service, new technologic process, new organization, or enhancement of existing product or service, existing technologic process and existing organization. UK Department of Trade and Industry (2003, p.18) defines innovation as the successful exploitation of new ideas and it is central to meeting this challenge; it involves investments in new products, processes or services and in new ways of doing business.

According to the given definition, if we analyze its separate elements, we can say that we classify: innovations in production – development or enhancement of a specific product; innovations in services – offering new or enhancing of existing services; innovations in process – finding of new ways of organizing and combining inputs in the process of production of specific products or services; and innovations in management – creating new ways of organizing business resources.

The importance and definition of innovations can be explained from several aspects. From the aspect of customers, innovation means products with better quality and better services, which together mean a better way of life. From the aspect of businesses, innovation means sustainable growth and development, realization of great profit. For the employees, innovation means new and more interesting job, which requires more mental faculty, which results in higher salaries. From the aspect of whole economy, innovation represents a bigger productivity and prosperity for all.

In daily conversation, terms like innovation, invention, creativity and science are often used interchangeably. But, for academics, researchers and policymakers there are important distinctions between these terms and these distinctions give each term a unique, specific meaning. Invention is the first occurrence of an idea for a new product or process, while innovation is the first attempt to carry it out into practice (Fagerberg et al, 2004, p.4). Creativity is thinking about new things, while innovation is making new things. Creativity is an ability to develop new ideas and ways of facing problems and possibilities, while innovation is an ability to perform creative solutions in order to enhance people's life. Hence, enterprises can be successful only if they invent and make new things, or if they make the old ones in a new way (Zimmerer and Scarborough, 2002, p. 37).

According to Cannon (1991, p.17), the distinction between these terms is as below:

Creativity represents an opportunity to create new appearance, content or process by combining existing inputs or factors of production.

Inventiveness is a process of creating something new, which assigns a contribution to the level of overall mankind knowledge.

Innovation is linked to the definitive marketing of the new product, service or technologic process, which is a result of the inventiveness.

The differences between these terms are made and described also by Feldman (2004, p.3-5), which are shown in Table 1.

Table 1. Innovation, creativity, invention and science

INNOVATION vs INVENTION
Invention is the creation of a new concept. *Innovation* is reducing that concept to practice, and making it a commercial success.
INNOVATION vs CREATIVITY
Creativity is coming up with ideas. *Innovation* is bringing ideas to life.
INNOVATION vs SCIENCE
Science is the conversion of money into knowledge. *Innovation* is the conversion of knowledge into money.

Source: Feldman (2004), p. 3-5

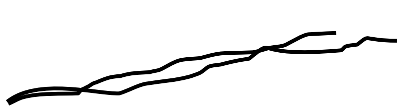
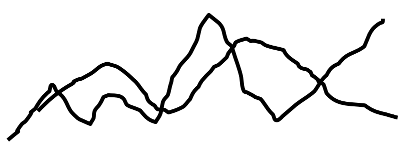
Innovation represents one of the essential characteristics of small businesses. According to some statistical data, in all countries, small businesses constitute the majority of enterprises, and as a result of this, they face the most severe competition. In order so survive in this competition, they are made to be innovative. Small businesses are centres of initiatives for innovative attempts. Innovations that are ascribed to small businesses are air-conditions, zippers, helicopters, computers, video recorders, cameras, optical scanners, contact lenses, etc.

In many cases, innovations are understood only as technical-technological term, which is wrong. They appear to be a market and social phenomenon. Many people have developed their businesses without using ways of elaborating any specific technological procedures. As examples for this we can mention the occurrence of newspapers, insurance certificates, fast food, and etc (Drucker, 1993, p. 30-33).

Types of innovations

In the literature we can meet a lot of types of innovations. In general, there are two types of innovations: radical and incremental. A radical innovation focuses on products, processes or services with unprecented performance features, while an incremental innovation focuses on cost or feature improvements of existing processes, products or services (see Table 2).

Table 2. Types of Innovations

Incremental innovations	Radical innovations
	
Exploits existing technology	Explores new technology
Low uncertainty	High uncertainty
Focuses on cost or feature improvements of existing processes, products or services	Focuses on products, processes or services with unprecented performance features

Improves competitiveness within current markets or industries	Creates dramatic change that transforms existing markets or industries, or creates new one

Source: *http://www.1000ventures.com/products/ss_effective_innovation.html*

According to Drucker (1993) there are four basic types of innovation:

a) *Incremental Innovation* – Doing more of the same things you have been doing with somewhat better results;

b) *Additive Innovation* – More fully exploiting already existing resources, such as product lines extensions, and can achieve good results. These opportunities should rarely be treated as high priority efforts. The risks should be small – and they should not take resources away from complementary or breakthrough opportunities;

c) *Complementary Innovation* – Offers something new and changes the structure of the business;

d) *Breakthrough Innovation* (Radical Innovation) – Changes the fundamentals of the business, creating a new industry and new avenues for extensive wealth creation.

Sources of innovation

Very important issue is that where do innovation come from? Which are the innovation sources or ideas for potencial successful innovations? IBM made a study about the potencial sources of innovations, which was based on phone interviews with over 750 CEOs and business leaders. This study found «that 76% of CEOs ranked business partner and customer collaboration as top sources for new ideas. This greatly contrasts with internal R&D, which ranked eighth as a source for new ideas — cited by only 14% of CEOs». The top sources can be considered sources outside of the company (De Ridder, 2008). There are the IBM's top sources of innovation: employees, business partners, customers directly, consultants, competitors, associations, internal sales and service unites, internal R&D, academia, think-tanks and labs or other institutions. Another research shows that innovations come from the inside of company (28.4%), suppliers (26.4 %), customers (25.8 %), competitors (24.9 %), and exhibitions (24.6 %). Such innovation sources as universities and other non-profit R&D institutions scored just 3.7 % and 2.9 %, respectively (Ukrainski and Varblane, 2005, p. 20-21).

Another research reveals these sources of innovations (Whright, 2011):

1. Watch the market carefully. Unexpected market or industry structure changes can provide potential innovative opportunities. In addition, changes in demographics, social moods, values, norms, even in lifestyle, may require innovative solutions to emerging needs. For instance, Johnson and Johnson responded to declining birth rates in Western markets by encouraging adults to use their baby products.

2. Existing customers are often a valuable source of innovation. Consider immersing yourself and/or a team of market facing and delivery people in your customer's business to gain greater insight. Observing «a day in the life of…» your client may provide valuable data on unmet needs and point to innovative solutions to existing problems. In addition, disruptions in you customer's industry may also yield circumstances where innovative product or services may be just the answer to new or emerging needs. Working cooperatively with leading or innovative customers may also help foster innovation.

3. Suppliers can also provide valuable input. Your suppliers have a vested interest in working with their market leading customers. The development of strong partnerships with key suppliers will facilitate open discussions addressed at identifying your emerging business needs and identifying possible innovative solutions that integrate the best of both businesses.

4. Learn from experience. Unexpected success and failures can provide new and potentially valuable information. Don't sweep failures under the table but instead use them to explore what learnings may create innovation in current or new markets.

Innovation and competition

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 from the innovative competitors. Or it may take a proactive approach to gain a strategic market position relative to its competitors, for example by developing and then trying to enforce higher technical standards for the products it produces (OECD, 2005, p.31).

For firms, the way to achieve competitive advantage is to create a competitive strategy that is consistent with trends in the firm's industry and appropriate to the firm's resources and capabilities which can be achieved through innovation (Porter, 2006, p.74).

New things are always related with innovation. Today's innovation in some way differ from innovation in past, where innovation were related with radical changes mostly related with new radical technology or new hardware, but today innovation are related with new software, program methods, techniques, approaches etc. In economics the change must increase value, which can be customer value, or producer value.

The reason that influence the decision to buy most of the products or services today, differ from the reasons based in the past. Today people buy cell phones even though the cell phones that they possess still work perfectly, we by computers almost every year even though the old ones are almost new, etc. We are not buying products so that they could accomplish their main goal for existing (almost no one buys cell phone only for talking, because the old one still can perform that activity), but for the additional new possibilities that that product can offer. Innovation influenced the consumers buying habits. But we shouldn't make a mistake by relating innovation only with products or services that an organization offers.

In the following we will present the complete list of innovation with whom an organization can gain competitive advantage on the market (Fingar, 2006, p.78-79):

1) *Operational innovation* – most of the organizations operate with approximately the same assets, same number of trained workers, same quality of raw materials, but still

some of them are working more successful than the others. The reasons for this are in the way that they operate. The organizations need to transform the way they operate, time based competition (faster reaction in every action taken by competition) and perfect exploration of business strategies. Operational innovation is related with the transformation of the way how we do, what we are doing.

2) *Organizational innovation* – the days of vertical integrated organization are over. Organizations are mostly oriented on doing the main activity and are using cooperation with other for executing the other secondary activities from the best ones in that field. Organizational innovation is based on creation of cooperation with different specialized partners that will execute different activities for the company. Operational innovation is related with the outsourcing.

3) *Supply-side innovation* – almost every organization is oriented in using resources with high quality and low price. Most of the organizations very often depend on their supplier, which often can result in complications. The speed of supply of raw materials is of great importance for the industries.

4) *Core-competence innovation* – we noted that organizations very usually are using outsourcing for secondary activities. Now we ask can organization outsource its core-competences. The answer is absolutely yes, but this of course depends from the industry. In future it is expected that the number of enterprises that uses outsourcing dramatically to increase.

5) *Sell – side innovation* – today we have a lot of distribution channels that enterprises use to offer they're products on the market (internet). In achieving sell-side innovation organizations should establish new ways to be closer to the final consumers, by creating a strong brand, searching for new distribution channels, even that sometime it is done through they're competitors. Other strategy that organizations can use, that is related with the sell-side innovation, is conquer sub segments on the markets and by that creating a whole new market that didn't exist earlier.

6) *Product and service innovation* – an organization should be as close as possible to their consumers in order to satisfy the unmet costumer needs. Organization should not be oriented only in satisfying expected needs of consumers, but they should be also oriented beyond their expectation.

7) *Innovation of innovation* - in the last decade, organizations were oriented mostly on micro-innovation, as a way from which organization can learn how to relate with consumer's emotion, creating a relation between researches labs and consumers need, searching possibilities for innovation etc. Innovations must be understood as a systematic and continuous process. It is a process that incorporates the whole organization.

Useful strategies of innovation

According to Gary Hamel the best strategy it is related with radical changes and creating of a new vision for a new future where you will be a leader instead of being follower of the trends established by others. The winning strategy is a strategy that includes a vision (Dobson et al, 2004, p. 1). While most of the companies use innovation very rarely some of very successful enterprise already started to use innovation as basic way to relate with their markets. Innovating capacity represents a very important source of achieving of competitive advantage. Innovations are mostly related with (Morden, 2007, p.414):

- Changing of the base of knowledge,
- Process of managing the knowledge,
- Changing of the consumers expectation,
- Generating value,
- Product differentiation or achieving of low cots etc.

All above mentioned types of innovation will help organizations in creating competitive advantage on the market that they operate. It is very important that the organizations understand that innovations are part of whole organization and that the organizations should implement innovation in every part of it. It is very important that in the process of innovation enterprise employees should be included in all processes, because companies most of the time get a lot of excellent innovations from their employees. For example, Intel included 8000 employers in the research and development department, that according to Fortune this was the main reason why this company is in the third place on the number of innovation in USA (Thompson, 2007). Organizations also must understand that once implemented innovation doesn't mean final solution to a problem, but that innovations are continuous process that needs to innovate themselves. Today the success and existence of an enterprise it is related with the innovations, that's why when enterprises formulate its strategy they should (Manning, 2002, p.14):

- Alarm for the changes (anticipate),
- See possibilities for offering something new and different (internal),
- Be executed constantly and with highest standards (executive).

In the literature it is noted the dilemma, who is leading in new innovation small and medium enterprises or maybe most of innovation are coming mostly from corporation. To this very interesting question Schumpeter suggested two answer, the first one it was given in the year 1912 when he said that most of the of innovations are coming from small and medium enterprises and the second answer was given in 1942 when he answered that big and powerful labs of corporation bring most of the innovations (Neumann and Weigand, 2004, p.7). This question till today stays unanswered in very precise way, the most real answer will be that innovation are related from both small and medium enterprises and big cooperation all over the world.

The 2007 Booz Allen Hamilton Report argues that statistical analysis of a representative sample of global innovation 1000 companies divided them into three distinct categories of innovation strategy (Jaruzelski and Dehoff, 2007, p. 4-5):

1. *Need seekers* companies focus on being first to bring new products to markets and base their R&D efforts on getting direct, proactive input from customers. They

engage actively current and potential customers to shape new products, services and processes.

2. *Market readers* distinguished themselves through their preferences for incremental change and being fast followers into markets. They watch markets carefully and focus on creating values through incremental change.

3. *Technology drivers* focus on a technology forward approach to innovation, while remaining less concerned with direct customer input into the process. They follow the direction suggested by their technological capabilities, leveraging their investment in research and technology to drive breakthrough innovation or incremental change.

There were significant performance differences between the three categories: R&D spending was 40% greater in the Need Seekers group. Each group showed a similar mean values for return on assets, but the standard deviation for Technology Drivers was 40% higher, indicating that this group pursue a riskier innovation strategy than the two other categories.

Economics of innovation

What's the difference between innovation economics and conventional economics? In the conventional economics, the policy "guys" concern themselves with taxes and government spending and trade policies. The innovation economics says, yes all of these are important, but beyond that it cares about innovation, it cares for technological progress and this is what economics can affect, it is important for economics and they should be concerned about it (Mandel, 2008).

Innovation economics *tells us how to get more jobs and more growth.* One way how it can be achieved is by innovation prizes, which focuses peoples mind, creates teams in a direction that is important for an economy. On a local level, there can be seen a lot of innovation clusters, bringing together local businesses and universities that help to build a new knowledge and skills.

The competition among enterprises in the last decade is taking more and more attention. This is as a result of more and more rigid competition that is taking place in economics of innovation.

Most successfull companies in the world achieved to exist in the market thanks to they're better ability to innovate. Today almost every company is trying to innovate. According to the logic of economics of innovation businesses should implement innovation in their product or services that are beyond consumer's expectation. For businesses it wouldn't be enough just to satisfy buyers needs but to overwhelm them. When we are talking about innovation since they are once implemented in products and service that organization offers then it enters the process of economics of innovations. This means that organization in the future should include some new innovation different from existing one. So if we want to keep the existing consumers or to attract new one, we should continuously implement new innovation. This means that innovations will gain benefits from innovations only for specific period of time and that innovation should be on a continuous basis implemented in the whole organization.

Increased value are related with positive changes, that will result in better products, service in increased performance in better motivation of workers etc. Innovation is fundamental to economic growth and development. The ability to create economic value by introducing new products to the market, redesigning production processes, or reconfiguring organizational practices is critical to competitive advantage and growth for firms, industries and countries (Feldman, 2004, p.1). Innovation is considered as one of the major driver of the economy. Organizations that do not innovate effectively may be destroyed by those that do.

Financing sources of innovations

Innovation can be supported by two major forms of financing: merit-based awards (grants) and external equity, such as: business angels, venture capital and corporations.

Merit-based awards (grants) can be provided by public, i.e., government institutions or agencies. With this form of financing, funds are received unconditionally, which means they do not have to be repaid if the enterprise is not successful. The given grants are used for enterprises in the seed and start-up stage of development. In addition, these funds can be an important reference for these enterprises when they subsequently look for additional capital for financing their further development (United Nations Economic Commission for Europe, 2009, pp. 5–6).

The financing through *external equity* means receiving equity stakes in exchange for capital. Typical providers of external equity capital are business angels, venture capital firms and corporations. These types of investors are called as «smart money» considering that they beside financial means provide valuable expertise and networking opportunities to the innovative enterprises.

Business angels. Business angels represent private investors who, during their active work, have gained wealth and experience and are ready to invest in new enterprises in order to help young entrepreneurs and profit simultaneously (Ramadani, 2009, p. 250). According to Sohl (2003), there are 300,000 to 350,000 active business angels in the USA, who invest $30 billion per year in around 50,000 innovative projects. In the UK, there are 20,000–40,000 business angels who invest £0.5–1 billion per year in 3000–6000 companies.

Venture capital. Venture capital represents the financial funds, usually in the form of equity capital and know-how management, which are invested by individuals and institutions in small and medium enterprises, which are not listed on the stock exchange and have high growth potential. According to Lerner et al (2005), venture capital represent dominant form of financing of technology companies in USA and have a significant impact on the development of innovation. Its contribution has two dimensions: to accelerate growth and secure long-term success (Dobloug, 2008, p.22).

Business incubators. Business incubators played a crusial role in innovative idea generation and development in Silicon Valley (Kaplan, 1999). A lot of research has shown that business incubators can be an effective tool for supporting innovation and creation of new business. Also business incubators can reduce small business failure rates substantially (Jawahar, 2005).

Corporations. The main objective of the most of sources of financing is obtaining financial returns. Corporations' invesments typically have a combination of financial and strategic objectives. In general, a strategic mission of corporations is to help the growth of the business through identifing new ideas or technologies, develop new products or processes, and enter new markets or enhance existing businesses. The year 2000 represent the peak of venture capital investments, when more than $100 billion was invested. From tis amount, around 16 percent of investment was made by corporations. After this year, venture capital investments stabilized at around $20 to $25 billion per year, and corporations' investments ranged around 6 to 8 percent of total venture capital investment (see more MacMillan et al, 2008).

A conducted research in Germany during the period 2004-2006 shows that when the firms were asked to state which sources of funding were used to finance innovation projects, the data reveal the following picture (Spielkamp and Rammer, 2009):

A research conducted in Germany during the period 2004–2006 shows that when the firms were asked to state which sources of funding were used to finance innovation projects, the data reveal the following (Spielkamp and Rammer, 2009):

1. Eighty-seven per cent of the firms finance innovation projects from funds generated by ongoing business operations, such as profits, sales, working capital, or extended payment terms (cash flow financing).

2. The second important means of funding for financing innovation in manufacturing and services is debt financing by using credit lines and current account advances.

3. Standard bank loans are ranked as a third financing source of innovation, even though credit financing implies a couple of disadvantages for firms, e.g., dependency on lender, high interest rates, and concerns about securities.

4. Stock markets and private equity funds represent another important source of financing. According to the empirical data the admission of new shareholders, participation of other enterprises, shareholders' loans, dormant equities, and participation certificates have a similar importance as bank loans but play a minor role compared to internal funding.

5. Public funds in form of loans, allowances and grants can be used to develop and launch innovations. On average, 11% of all firms utilize public subsidies for financing innovation projects, and 5% absorb public loans.

Innovation and Republic of Macedonia

As a country where EU integration is among the top priorities considering the IUS indicators presented in figure 1 and the group division, Republic of Macedonia belongs to the modest innovators, with performance well below the EU27. Considering the IUS Report «relative strengths are in innovators relative, weaknesses are in open, excellent and attractive research systems, finance and support and intellectual assets. High growth is observed for new doctorate graduates, knowledge-intensive services exports and license and patent revenues from abroad. A strong decline is observed for pct patent applications and community trademarks. Growth performance in human resources, firm investments and outputs is above average, growth performance in finance and support and intellectual assets is below average» (Inno Matrics, 2011, p.57).

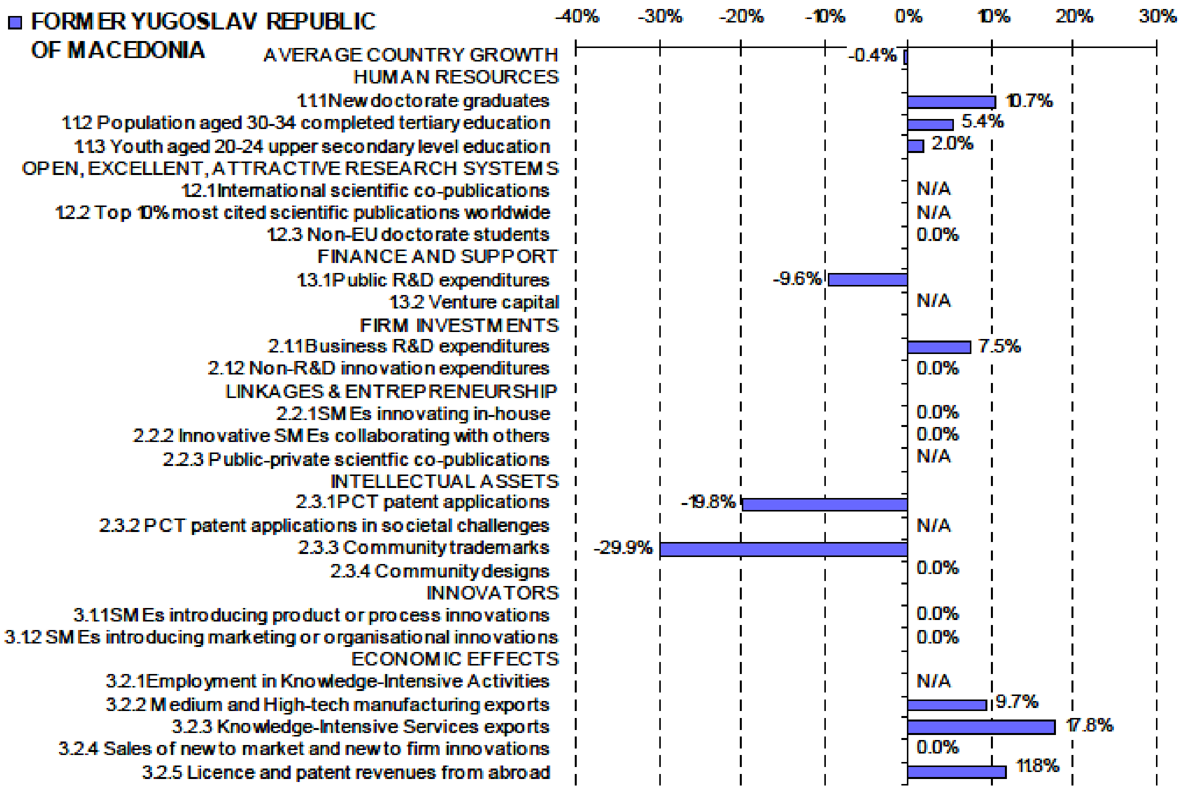


Figure 1. Annual average growth per indicator and average country growth
Source: Inno Matrics, 2011, p.57

Growing role of innovation in economic and social development, and how governments can help ensure that innovation is translated into new products and techniques that can help society meet the global challenges of the 21st century. Therefore, significant efforts are invested in preparing the country for EU membership – national legislation is being adapted to EU legislation in all areas covered by EU law, EU standards are adopted in economic, political and social areas and comprehensive horizontal reforms of the public administration are conducted. Government officials and commentators have recognized this reality and have called for a variety of different substantive incentives for stimulating innovation (Analytica, 2007).

Republic of Macedonia is a full-fledged partner in the Programme for Competition and Innovations of the European Union (CIP). Starting from January 1st 2008, Republic of Macedonia officially started with the implementation of this programme for the period 2007-2013, and in this way, it became the second country after Croatia which is not a member of EU, but has joined this Programme. Through this programme, the

European Commission gives an impulse to the entrepreneurship, innovations and the development of small and medium sized enterprises, which in EU are considered a backbone for the national economies. The aim is to encourage the competition and innovations in the European Union, bearing in mind that this could lead to an increase in the economic growth in the member-countries and candidate-countries for membership in EU.

The Programme for Competition and Innovation is especially important for the small and medium sized enterprises in our country, because it will provide them with internationalization, as well as an easier access to the financial assets, more appropriate use of information and communication technologies, development of the IT society and promotion of the importance of new renewable resources of energy and energy efficiency.

The Programme for Competition and Innovation of the European Commission is planned for the 2007-2013 period and it has a budget of 3.6 million Euros, and it is divided into three basic programmes: Entrepreneurship and Innovation Framework Programme (EIP), Information and Communication Technologies Policy Support Programme (ICTPSP) and Intelligent Energy Europe Programme (IEE).

Entrepreneurship and Innovation Framework Programme (EIP) has several defined goals:

- Providing more efficient access to financial resources for the small and medium sized enterprises (SMEs) by co-guarantees and co-investments of the local banks and funds for the capital venture
- Ensuring business and innovation services through a developed network of regional centres;
- Supporting and promoting entrepreneurship and innovation;
- Supporting ECO – Innovations

The Programme for Competition and Innovation of the European Commission foresees cooperation among owners of the small and medium sized enterprises, state institutions and organizations, organizations of the civil society. It is specific that co-financing of the projects is conditioned with cooperation through the consortium or network of co-operators.

Regarding to the innovations in the Republic of Macedonia, the Bureau for protection of the intellectual property conveyed a research in order to find out the reasons of undertaking innovative activities by the enterprises. Examinees have answered that they have undertaken innovative activities because of the following reasons: improvement of the quality of their products (15.67% of examinees), reaching access to new markets (13.07%), preservation of existing markets (12.77%), reducing of the production costs (12.57%), improvement of ways of working (9.68%), etc (APERM, 2003).

To reveal the types of benefits that innovation brings to companies, we will use the empirical data from our research, which was carried out during January–April 2010 in 119 small and medium sized enterprises from different cities of the Republic of

Macedonia. The data shows that improving the quality of products and services offered to customers is the first ranked benefit from innovation. This benefit was mentioned from 27% of respondents. Further benefits are ranked as follows: creating better conditions at work (by 18% of respondents), maintaining the existing position in the market (17%), entering new markets (13%), creating flexibility at work (9%), improving the ecological environment (5%) and diversification of product range (2%).

In 2006, the Government of the Republic of Macedonia adopted the Programme for Scientific Research, Technology and Technological Development which along with the newly developed draft Laws on Higher Education and on Scientific and Research Activity, regulate research activities and set priorities in this area (Analytica, 2007, p.5). Since FYR of Macedonia singed the above mentioned programme, in the area of Information Society, the government launched several initiatives with 'e' prefix: E-Citizens, E-Education, E-Business, E-Government, and E-Infrastructure, and IT is now an integral component of every government policy.

Conclusion

Innovations represent an activity of creating a new product or service, new technologic process, new organization, or enhancement of existing product or service, existing technologic process and existing organization. According to the given definition, if we analyze its separate elements, we can say that we classify: innovations in production – development or enhancement of a specific product; innovations in services – offering new or enhancing of existing services; innovations in process – finding of new ways of organizing and combining inputs in the process of production of specific products or services; and innovations in management – creating new ways of organizing business resources.

The importance and definition of innovations can be explained from several aspects. From the aspect of customers, innovation means products with better quality and better services, which together mean a better way of life. From the aspect of businesses, innovation means sustainable growth and development, realization of great profit. For the employees, innovation means new and more interesting job, which requires more mental faculty, which results in higher salaries.

As a country where EU integration is among the top priorities considering the IUS indicators presented in table and the group division, Republic of Macedonia belongs to the modest innovators, with performance well below the EU27. From January 1st 2008 Republic of Macedonia officially started the implementation of the European Union CI Programme for the period of 2007 – 2013, which became the second country after Croatia, which is not part of the EU but is part of this programme. Competitiveness and Innovation Programme (CIP) is particularly important for small and medium enterprise in FYR of Macedonia, which would make them become international, and have a better access to financial resources, better usage of information and communication technologies and development of the technological society.

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ИННОВАЦИОННЫ СТРАТЕГИИ И КОНКУРЕНТНЫЕ ПРЕИМУЩЕСТВА

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Аннотация. Сегодня компании работают в очень динамичной, неопределенной конкурентной среде. Они соревнуются в «тонкостях», которые настолько малы, но существенны. Компании пытаются достичь конкурентного преимущества для того, чтобы получить лучшее и стабильное положение на рынке. Лучшим способом для компаний в достижении конкурентных преимуществ представляются инновации.

В настоящем исследовании рассматривается значение инноваций, что представляется под инновациями в настоящее время, типы инноваций, специально обсуждатся вопрос о праве направлений их использования. Для того чтобы компании, чтобы реализовали как можно больше инноваций, необходимо, чтобы они были осведомлены с процессом инноваций и хи принципами, на которых инновации были основаны.

Имеется несколько типов инноваций или способов, которыми компании могут добиться инноваций на уровне целой организации. В статье обсуждаются способы, как этого можно достигнуть, начиная с их продукции и услуг, способов продажи, поставки и т.д.

Инновации могут быть профинансированы через заслуги, награды (гранты) и внешний капитал, к примеру: бизнес-ангелы, венчурный капитал и корпорации.

Ключевые слова: инновации, принципы, стратегии, инновационные ресурсы, преимущества, финансирование.