

## The effect of innovation and initiative on the competitiveness power of Iran industries

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**Abstract:** This essay examines the effect of innovation and initiative on the competitiveness power of industries. Today industries are very important as the industrial structure growth in innovation all over the world and for the Growing countries. Competition is one of the essential issues that there are different criteria to estimate it. The companies need to create the new method and completely different products to be successful to do the best performance and presenting the best product. So being in competitiveness conditions needs to create the essential change in the playing rule. So we can use the competitiveness to reach to the desired and permanent economical growth.

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### 1. Introduction

With developing the markets and importance of competitiveness in the International trade, all of the countries of world need to correct understanding own relative Position in comparison with other countries to adopt the Economical policies especially industrial coinciding with own relative position and according to the world innovation approach. Recognizing these problems help them to promote own abilities in order to improve their performance. In this essay innovation is considered in competitiveness in three levels (national, industrial and company) using different indicators to reach to that goal. The key point in competitiveness access to a clear collection of directions and using the ultra – regional policies make able the politicians to take the suitable ways of access to success and using them in own country. With understanding above subjects, the present essay follows effect response of the economical oscillations by presenting the chart, then definition and explaining sense of competitiveness and finally which indicators exist to affect the innovation in competitiveness power of Iran industries (Papinniemi Jorma. 1999). Finally the main indicators of competitiveness relying on some empirical studies are realized explaining it in world level coming to end with totalling and conclusion

#### 1.1. The effect of the economical oscillations on innovation activity:

In today societies and industries always exist (such as effect of prohibitions in Iran) that can cause the economical growth by creation in innovation. In order to complete the subject of the economical oscillations process, waves and the innovation activities are explained by chart 1.

The innovation activities with using the bank credits cause the creating the splendour and stagnation era.

When a new work is presented, others imitate. In imitation process some of them get successful and others get defeated. They who are successful produce and cause the increasing the product and so decreasing its price. The investment motive in those goods disappears with decreasing the price. When considered activity traverses downward movement the new innovation begins.

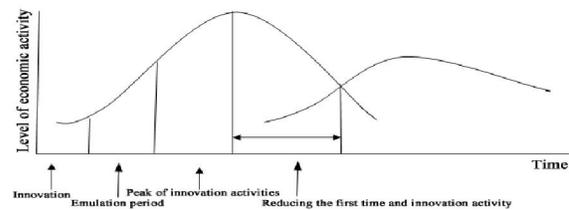


Chart 1: in Schumpeter view

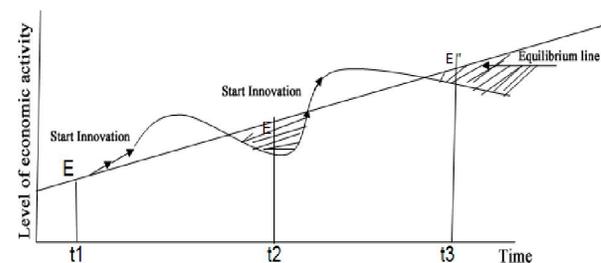


Chart 2: Schumpeter view

If we consider E point the first resistant equilibrium, it begins with beginning the first innovation waves by innovator and creating the first wave benefit. The rate of profitability decreases with entrance of other producers. The new resistant equilibrium is obtained. We can explain the next innovation and the hachured level under E point considering it number of producers disappeared in the proceeding of those

waves forming the new balance point structure and developing by innovation. While innovation creations exist they cause developing the technology. So equilibrium points with the newer and best condition will exist that Schumpeter calls it development.

## **2.1. Innovation and competitiveness:**

Competitiveness of one economy is related to the internal company's competitiveness. Anyhow the national economy competitiveness is higher than the simple sum and competitiveness average of its companies. Competitiveness is examined in three levels: **1-** National, **2-** Industry, **3-** Civil (Porter and Miller 1985). In some viewpoints, competitiveness is considered in Worldwide or international level. Regarding that in this study competitiveness is examined in industries level we must notice that the companies aren't active in vacuum. Even though the successful management methods have a basic and clear role in companies' competitiveness, the national environment features haven't less importance (Ketels, C., 2001).

### **1.2.1. Innovation competitiveness with creation:**

Today changes in world almost destroy the correctness of all the basic theories and the relative advantage and Hakcher – Ohlin theorem as those theories especially those that are based on the complete competition assumptions aren't successful to explain the success reasons of reaching the agencies to developing the industry of country. So Harvard School was focused on study of the external environment effect on strategy of one centralized agency to analyze the innovation in competitiveness. According that viewpoint, the active industries and agencies use the same stored being obliged to use the same strategies. In other words, creating the new competition advantage in that viewpoint isn't possible because all of the active agencies in a special industry have the same opportunities and so they choose the same strategies. Also the slight changes in agencies level are enforceable only in a short – term. So success of agencies is result of their innovation to show interaction to the threats and existing opportunities in that industry activity environment. The strategic decision processes and obtaining by agencies in benefit field are strongly affected by the international markets. The relationship between the agencies and the industrial activity environment results in the understanding the position of a successful market located in the process of the following three development pivots:

**1-1)** the agencies create a united system of strategy goals and following a collection of the concrete operational policies.

**1-2)** System, goals and policies must be according to external conditions of market.

**1-3)** the creative strategy must follow the creating of the pivotal competencies that the development patterns sources and using the skills help to agencies and industries to achieve own goals.

### **2.2.1. Competitiveness in level of the industrial companies:**

There are many definitions about competitiveness from several views. Competitiveness is as a process consisting of people, sources, decision and good luck. **'1'** We observed two different mental school in competitiveness field in two last decade. **1)** The approaches based on technology, **2)** The based on competence. **'2'** According to the first approach, approaches innovation and technology is base of competitiveness, while the base of the second approach is the organization of the learner that is emphasized on Powers in order to maintain by imitation and also prediction and effective response to changes. **'3'** One group of researchers focus on the relationship between competitiveness and organizational performance. (Scott, 1989). The competitiveness is defined as the ability of increasing the incomes in a speed equal with competitors and creating the essential capitals in order to face to them in the future. (Fco.Javier Lloréns Montes, 2005). In a more comprehensive definition, competitiveness is defined as: Competitiveness means ability of organization in order to maintain in business and protecting the capitals of organization, obtaining the return of capitals and jobs guarantee in the future. The organizations and companies act in the performances and working methods differently. The successful organizations are sought to create the coordination between those factors with a long – term view. (Feldman, M. and D. Audretsch, 1999). Competitiveness is a relative problem not absolute. Competitiveness related to values of customers and affiliates, the financial strength of ability to act determine, interaction in competitive environment and potential of people and technology in making strategic changes is necessary. (Feurer and Chaharbaghi, 1995).

### **3.2.1. Innovation and challenging with rules:**

The companies in order to be successful in doing the best performance and presenting the best product need to create the new methods and completely different productions. Although being effective the activities are necessary but it is not sufficient, because it doesn't provide any guarantee for advantage over competitors. So today locating in competitiveness conditions requires the creating a fundamental change in game rule. So acquisition

factors on innovation and creating new ideas by companies are:

### **1.3) Poverty and decreasing the importance of resources:**

In the not too distant past, having the resources and ingredients and some advantages were important factors for supremacy and survival. The corporate despite the some disadvantages of being great use some advantages such as: easy access to resources and capital markets, use of commercial reputation and governmental supports being able to achieve to the competitiveness factors and advantages outnumbering others. While the small and average

Companies despite the appropriate flexibility were limited in achieving the financial, humanity and technology resources and that disability in achieving the vast resources causes to weaken them against competitors. Development and innovation in business and technology development caused the decreasing the importance of resources especially primary resources in competitiveness. The companies decrease own dependence to resources and advantages with different methods and solutions and try to overcome to poverty, capital, technology specialist human resources and also inflation following capability that be with a stability and the reliable competitiveness advantages that capability calls innovation.

### **2.3. Building the future:**

Not being exact the future prediction and attempt of some countries to create the future business market pattern is a unique capability called innovation. The failure of group that ignores building the future is certain, but building the future is a policy for the company existing the win possibility in it. Denis Gabor believes that: The best way to predict the future is building it.

### **3.3. Short – lived strategies:**

Similarity and convergence make strategies, companies, industries and pioneer plants to create the methods and new products and services in order to be distinct from others that this requires being them innovative, because the power of production has been increased and has caused the short – lived strategies.

### **4.3. Attempt to maintain the vitality and youth:**

Innovation means doing new or existing works with new methods. So innovation and the fundamental review with some previous helpful experiences can locate the old companies in the superior position than others. Innovation in industries can prevent aging of companies and also cause being younger the old companies. Innovation can be with:

growth, vitality and amassing wealth of the organizations and the economical agencies.

So innovation and creation is like quality of a key capability.

### **4.2.1. The appropriate space and bed to innovate in industries:**

Today condition is very favorable for innovation and transformation in ideas. So market leaders (companies and agencies existing in market) are threatened by the competitors. So the mentioned companies can create the principles to change capability and increasing innovation in order to create the idea and the effective usage that the appropriate mechanism to use those principles is:

### **1.4. Innovation and doesn't follow one script and rule:**

Intention and purpose of innovation is the first step to innovate the companies Innovation begins with resolution and decision of an individual or group that try to break up the ordinary ideas and wants to present a new thing by making question about the present condition. Therefore transferring a clear and wonderful view to all of the colleagues causes being informed them from the final destination of company and creating own ideas about it.

### **2.4. All of the company members can be the source of new idea:**

Innovation and creating law-breaking strategies are related to the most important wealth of organization and company i.e. the mental power of human. Andorra the head of Intel Company states that: The wealth of our company has legs and go to own houses. Such views show the increasing importance of human power in change and innovation. Company must break up being exclusive the creating of strategy accepting any appropriate view from everywhere consciously. So the employees must be satisfied from presenting the changing idea to innovation. When the persons consider themselves a part of one change, the power of their innovation increases strongly.

### **5. Making ability for innovation:**

The wonderful exceptions, lack of attachment and breaking up the monopoly of creating the strategies and creative ideas create the appropriate space and bed. Of course that isn't %100 guarantee. The most important making ability for innovation is:

### **1.5. Organizational learning capability:**

Innovation is possible by obtaining the knowledge from different resources and using it in organization. The limited materials and sources decrease by using, but knowledge is a wealth that not only doesn't decrease by using but also results in producing the newer knowledge and getting richer the humanity knowledge. Today companies and

factories must learn teaching. Indeed, learning and innovation for the companies and organizations is like breathing for the living beings. As the constant breathing for the living beings is vital, Learning and innovation for the companies and organizations is vital. The organizational learning theory causes the changes in two levels:

**a) Adaptation Learning**

**b) Creational learning.** The adaptation or spiral learning is the lowest form of learning and innovation and happens in borders of company. It is with the gradual innovation. While the creative learning is with the fundamental mutational innovation and breaking up the business or product rules. The companies must create three sources for innovation to make deep the learning Capabilities: 1- from market, 2- from inside, 3- from connection.

**2.5. Increasing the understanding power of conditions and situation:**

Recognizing the phenomena such as the internal and external problems of company and taking the effects of them is start of the creative thought. So no change and approach or collecting model of strategy is free of knowledge and recognition element.

**3.5. Increasing the capability of creating idea:**

Albert Einstein believes that imagination is more important than knowledge. Creating the new ideas is affected by imagination power of idea creators. The unconscious mind of people is a rich resource for imagination of ideas and experiences. Using the imagination power and making free the mind sometimes is a very appropriate method to find the response of problems and creating the innovation. Albert Einstein achieved many of own creations innovations taking shower and used the waterproof materials to register them. Finally one of the more appropriate methods to increase the innovation power in competitiveness strategy field is simulation of different decision opportunities.

**6. Creation and measurement methods of export competitiveness creation:**

Creation in competitiveness is a fact that shows agency capability in increasing the share of market that is containing the more benefit, development of space and production scale. Several indicators are used to estimate hat capability and production power that are related to production benefit, share of markets, investment, usage and structure of tariffs. The most of those indicators need the data that may created in examinations in agencies level or obtained by instance studies. Regarding the done examinations, I state the most important competitiveness innovation indicators in the following cases:

**1.6. Variety in export markets:**

Making various the export markets is a strategy that the economical agencies choose to prevent and decreasing the possible damages. It means whatever the export markets have more production variety causes the competitiveness power of the economical agencies that results in innovation.

**2.6. Usage indicators in innovation of work power:**

Any institution that has that indicator it will have more competitiveness in inside and world level and cause the decreasing in costs, the completed price of goods and services and increasing the benefit.

**3.6. Difference of export products price of country and competitors:**

The features of goods such as producing country, commercial fame, goods Decorations, presenting method of services and so on are hidden in its price that causes goods export have the better progress than competitors having the more share from market and more permanency by innovation and creation.

**4.6. Relation of the additional value to product value:**

Any economical agency that indicator be low in it, is less subject to market oscillations because of relying on the internal resources. But in the other side it is limited in the international scene in the long –term development.

**5.6. Innovations in export:**

One of the other creative competitiveness indicators of Iran industries in world markets is growth and the successive self – sufficiency in inventions and innovation in possessing of export markets.

**6.6. RCA the relative appeared advantage indicator"X"**

$$RCA_{ij} = \frac{X_{ij} / X_j}{X_{iw} / X_w}$$

That:

$X_{ij}$  : The export of I goods by j country

$X_j$  : The whole industrial export of j country

$X_{iw}$  : The world export of I goods

$X_w$  : The whole industrial export of world

In that case numerator shows the percentage of share of a supposed ration in the national industrial export and denominator shows the percentage of the same ration in world level. That criterion considers the examination of the national

industrial export structure against world industrial export structure. RCA from one to zero shows lack of the relative advantage. That is greater than an indicator of existing of relative advantage in export of I goods. The increasing process of that indicator during the time shows the development of competitiveness position of one goods in world level or a special area in creating the appropriate positions using them. On the other hand, oscillations of those criteria can show low degree of permanency of the commercial regime of a country.

#### 7.6. Indicator of covering:

That indicator is obtained from relation export to import. If that indicator is greater than one, it shows competitiveness and creativity power in that group of products.

#### 8.6. Change in world market share:

That indicator estimates the export competitiveness. Change in that indicator during the time shows competitiveness quality.

#### 9.6. The permanent market share indicator and its effect on innovation (CMS)

It is obtained by difference between the real growth of goods export by country and export growth of that goods developed with world import growth.

$$dE_{ij} = \Delta X_{ij} - rX_{ij}$$

It is explained using three resources:

1.9.6.) focus on goods that their usage is increasing in world level.

2.9.6.) focus on target markets that their usage is increasing faster than world Average extent.

3.9.6.) the creation competitiveness factor i.e. the increasing the influence in markets results in increasing the share from market.

#### 2. Conclusion:

The goal of that essay is effect of innovation and creation on industries competitiveness specially Iran. Companies need the creating the new methods and different products with competitors to be successful in doing the best performance and presenting the best product. Industries and companies must increase power of understanding the conditions, position and recognizing the internal and external phenomenon of company by innovation and creation in product and goods. We must create the competitiveness conditions of agencies and industries

having important base in great and small economy (agency) of country for innovation and creation in competitiveness. To achieve that goal, the economical permanency cases, the appropriate internal and international space, the appropriate legal and provisional environment, the existing of essential social organizations, permanency of the economical policies, the existing of essential physical substructures, the world and international relationship between the countries, limiting role of government, being open economy and entrance to the international markets and providing the conditions and more partnership space of the private section are recommended.

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