

FINANCING, INNOVATION AND KNOWLEDGE MANAGEMENT DEFINING ELEMENTS FOR BUSINESS INCUBATORS

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Abstract: Having in view the importance of creativity, innovation, financing and knowledge management in the entrepreneurial activities, this paper is focused on underlining some aspects regarding the structure of the creative and innovative approach and the business incubators which are the best background to activate creativity and innovation. Because many business incubators stopped their activity, we try to find solutions for them.

We present knowledge management as a new type of management for incubators, innovation indicators and the modern innovative structures which are the optimum background to apply knowledge-based strategies.

Keywords: Innovation, SME (small and medium enterprises), Business incubators, Knowledge management, Financing, Indicators

1. The structure of the creative and innovative approach

Creativity is very important in the entrepreneurial activities. A creative process involves four stages [1] :

1st stage – The storing of knowledge

Successful entrepreneurial activities are generally preceded by explorations and documentations in order to provide the storing of knowledge. Among these we can count: reading informative materials from different domains, professional groups' reunions and research on internal and external published works concerning the subject of interest, the development of a specialized bibliography.

2nd stage – The incubation process

The incubation process takes place while people that have already covered the first stage detach from the question in study to let the subconscious work. The incubation process can take place while: thinking of the problem during the moments of relaxation and meditation; embarking upon routine and entertaining activities.

3rd stage – Experiencing the idea

The evolution from the second to the third stage often takes place unconsciously because, after the incubation process, the idea can suddenly emerge, but reflecting on it will define more clearly the idea.

4th stage – The evaluation and the implementation of the idea

Thinking on the idea will determine a re-processing and refinement that would lead to the creation of an original final idea.

Building a successful entrepreneurial activity supposes making a connection between creativity and innovation.

But innovation supposes a systematic approach, it also implies science, technology, economical – financial principles, spirit of initiative, management and it transforms creative ideas in realities with noticeable modifications.

Innovation is materialized in the transfer of a brand new idea or of a new concept until the final stage of a new product, process or service activity accepted by the market. [2]

Any form it could take, innovation must offer an increased value and a technological development to the new product to such an extent that could also ensure commercial success.

The innovations generated by inventions are also known as product innovations and those generated by the implementation of new techniques and technologies, in order to get a highest quality, are known as process innovations.

2. Business incubators – the best background to activate creativity and innovation

In Romania, the small and medium sized enterprises (SME) sector emerged on an immature market and that situation was the source of great difficulties in finding the resources but also of lot of opportunities as a result of the clients' unsatisfied demand.

The main problem that the private entrepreneur faced was determined by the great number of public institutions that had to work together but also the insufficient entrepreneurial and management training.

The vulnerability and the social and economical costs induced by the failure of such enterprises led to the clear conclusion that they must be supported by the government. That is why the contemporary time is appreciated as being the time of creativity and of the powerful implication of the government to develop the small and medium sized enterprises. Therefore, by the implementation of START program, the government offered the opportunity of developing the entrepreneurial abilities among young people. For the period 2006 – 2009, the procedures of implementation of the national multi-annual program for supporting the SME access to training and consulting services and for exportation development were also approved (Disposition 55/2006 and Disposition 52/2006).

An important help offered to the companies immediately after their establishment is represented by the business incubators for which The SME (the small and medium sized enterprises) and cooperatives National Agency set up a "multi-annual establishment and development program (between 2002 – 2009) for technological and business incubators".

Nowadays, in Romania, there are few incubators, with weak impact that can not satisfy the special needs of the new or already functioning SME. With a low outliving rate, number of incubators stopped their activity because they didn't have enough financial support that could offer them the required viability until self-support. Their creation wasn't based on partnerships that could support the financing after financial discontinuation.

The activity and the success of an incubator depend on the choice of goals and distinct strategies but also on a initial financing supported later by an adequate financial discipline.

Consequently, nowadays, the creation of a business incubator must comply with new requirements regarding:

- The creation and development of innovative SME that use efficiently the resources existing in the research system and technology and that create new jobs;
- The creation of an efficient relation between the technological and entrepreneurial potential;
- The improvement of access for incubated SME to information, consulting and also to services and specific research equipments;
- The use of facilities, of human resources and materials existing in that area.

At this time, the only business segment where the innovation degree is higher in Romania than in the European Union is the one in which these SMEs feel the competition pressure to enter the international market, i.e. the textile, leather and shoes industry.

In Romania, small enterprises come with few innovations, in comparison with big enterprises. Even if small enterprises, theoretically, should be the main promoters for innovation due to their internal flexibility and adaptability, they don't have the financial power to innovate, they are not open to risk and the most of them are found in non-innovative domains as retail trade.

Placing the SME under the protection and monitoring of an incubator would generate the background capable to establish politics that could determine the development of their innovative potentialities and that could help them penetrate domains with high added value.

3. A new type of management for incubators – knowledge management

Efficient managerial systems to manage the new ideas and knowledge are also necessary in order to develop the activity of the SME included in a business incubator.

The old saying “knowledge means power” proved ineffective because life proved that the real power comes not from the existence of knowledge but from the ability to implement this knowledge by means of an efficient management.

It has been proved that excellence ensuring the competitive advantage depends, mainly, on the knowledge management. The totals of knowledge existing in a company represent the intellectual capital and the aim of the entrepreneurs and managers is to develop this capital.

The intellectual capital includes four categories of intangible assets [3]:

- Market assets: trade marks, market shares, order reserves (as far as the production process could cover them), chains of distribution, license of franchising agreements, etc. These assets generate the competitive advantage.
- Infrastructure assets: technologies, work systems, specific technical procedures that make a company run efficiently. These assets represent the culture of the organization indicating the ways the employees work and communicate what management systems are used in the company.
- Intellectual property assets: patents, software, brand-marks, product-marks, service-marks, copyrights, etc.
- Human values: the employees’ talents and professional abilities, the experiences, leadership, the capacity to state and to solve problems. These values have synergic effect because their sum can be larger than the sum of the parts if the companies managed to set up communities where the creative capacity is stimulated.

In a business incubator, knowledge management means adopting a new attitude towards intellectual capital development within the framework of companies.

Knowledge management will become a reality when the incubator or the structures including an incubator moves from the spirit of competition to the one of co-participation and partnership.

4. The modern innovative structures – the optimum background to apply knowledge-based strategies

The transition to the knowledge-based economy implies stronger relations between companies and relations between companies and the education and research-development institutions, etc.

The creation of connections between the business incubator and such institutions will generate the creation of complete innovational networks. In the framework of such structure, knowledge management has two distinctive tasks: to facilitate the creation of new knowledge and to organize the way the employees of the companies helped by the incubator and those of the education and research-development institutions communicate their knowledge to be applied in concert.

There is a strong relation between the innovation associate and the knowledge production. In such a context, the companies stimulate the production of new knowledge by means of accepting audacious visions on economic strategies, meanwhile promoting the values and knowledge already existing in the company.

The application and the use of knowledge suppose that they circulate among the component structures of the innovational network.

Innovation and knowledge management imply the application of some distinctive strategies. “Knowledge-based strategies rely on two new elements that generally can not be found in classic strategies: knowledge becomes the most important strategic resource of the organization, and learning represents the most important capacity of any system” [4]. In these conditions, one can speak about new strategies as it follows:

- qualification
- standardization
- personalization
- vision-based strategies and strategies based on emergent studies which are able to generate competitive advantages on national and international level.

5. Innovation indicators

The performance indicators considered in present as relevant for the SMEs activity evaluation it is proved more useful in the performance evaluation from the past and less useful in the performance evaluation from the future.

A list of innovation indicators proposed by different institutions (such as the Ministry of Small and Medium Sized Enterprises, Commerce, Tourism and Liberal professions and others) was analyzed using the innovation criteria.

The indicators analysis permit the selection of the most suitable indicators for the SMEs, thus became a system of indicators that evaluates the SMEs performance in innovation. This system of indicators has:

- a) Input indicators
(Indicators which are under direct control of the SME management)
- b) Output indicators
(Indicators which make the results evaluation on medium or short term, the consequence of the taken measures regarding the innovation)
- c) Indicators for measuring the efficiency of the activity
(Indicators which are due only partial to innovation, but they make references to the general objectives of the business):
 1. General results
 - Survival (for example years)
 - Increasing of profitableness
 - Number of new work places
 2. Products and processes
 - Market quota at regional level
 - Market quota at national level
 - Market quota at european level
 3. Focus on client and extern image
 - Clients satisfaction determined by mail, phone or direct contacts
 - Sales for the new customers
 - Benefits from sales to the new customers
 - Extension of brand or name promotion of the SME
 - Number of references in mass media regarding the SME in cause, such as example for good practice in the field of innovation.

Because the performance indicators list seems always to be extended, it is necessary for each SME to select a set of adequate indicators to the specific situation, indicators which constitute “the board table” of the SME performance in cause.

6. Conclusion

Like a set of conclusive considerations, it is noteworthy that in the case of Romania, there are few incubators, with weak impact that can not satisfy the special needs of the new or already functioning SME. The activity and the success of an incubator depend on the choice of goals and distinct strategies but also on an adequate financial discipline.

Efficient managerial systems to manage the new ideas and knowledge are also necessary in order to develop the activity of the SME included in a business incubator. Life proved that the real power comes not from the existence of knowledge but from the ability to implement this knowledge by means of an efficient management.

Knowledge management will become a reality when the incubator or the structures including an incubator moves from the spirit of competition to the one of co-participation and partnership.

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