

**Електронний додаток до матеріалів  
Міжнародної наукової конференції**

**КОНКУРЕНТОСПРОМОЖНІСТЬ  
ТА ІННОВАЦІЇ:  
ПРОБЛЕМИ НАУКИ ТА ПРАКТИКИ**

**присвячена видатному вченому-економісту О. Г. Ліберману**

**Тези доповідей**

**16–17 листопада 2017 року**

**м. Харків**

**Харків  
2017**

E-APPENDIX to International scientific conference materials

COMPETITIVENESS AND INNOVATIONS:  
PROBLEMS OF SCIENCE AND PRACTICE

Dedicated to prominent scientist and economist Liberman O.

Thesis of speeches

November 16–17, 2017

Kharkiv, Ukraine

ISBN 978-966-8177-81-1

## INNOVATION AS STRATEGIC COMPETITIVENESS

**Jan-Urban Sandal** – D.Sc. (Economic History),  
Professor, Rector, Fil. Dr. Jan-U. Sandal Institute  
(Norway) E-mail: jan-u.sandal@janusandal.no

Even though innovation scientifically is defined as a spontaneous change of the use of the first and second input factors in the production function, its consequences on the market might represent strategic competitiveness. A spontaneous change in the production function based on the new combination of Land and Labor is not the result of a predictable action, and its capability of altering the market is not based on a strategic vision. Furthermore, innovation is not a response to the market situation, because opportunities to innovate will always be present, and no one or no formal body can dictate or manipulate the process of innovation. Entrepreneurs carry out innovations. These men are strong individuals, but they are not motivated by making a profit. Their goal is rather to succeed with their efforts.

They manage themselves. Their tasks and roles in the business life might be many; capital owner, manager, staff leader, promotor and seller, but the main objective is always to carry out the innovation. The entrepreneur operates independently. He is not a part of the production function. Classical social class structure, like the farmer, the laborer and the capitalist does not embrace the entrepreneur in any meaning. The entrepreneur is characterized as a social agent, whose purpose is to put forward the use of new products and services, to open up new markets, and reorganize established patterns of production and introducing new sources of raw materials. The successful entrepreneur is remunerated by entrepreneurial profit, which is distinct from rent, wages and interest, canalized to him from the market. The entrepreneur represents innovation management himself, in the way he is succeeding in carrying out the new combinations. He is highly specialized, one of the art individual. Innovation management, as a scientific subject is understood as a process that involves workers at every level to contributing

creatively to a company's product development, manufacturing and marketing. So far, we can define innovation management as two separate concepts; managing yourself, like what the entrepreneur is doing, and managing others, which meaning is how to manage the staff. The latter one stretches back to Henri Fayol and Frederick Winslow Taylor, named respectively Foyolism and Taylorism. Fayol's work was one of the first comprehensive statements of a general theory of management, while Taylor is widely acknowledged as a founder of modern management methods. Throughout the 20th century, a great number of theories of innovation management were presented, focusing on how to develop and use staff competitiveness as input factor in the production function. Their use is primarily to intensify the production function in the static part of the economy, to reach the optimum, so to speak. Optimum, in any sector of the economy represents the dead end. At the point of optimum, the technology is exhausted and new patterns must take over, otherwise the economy, as a whole will stagnate. Innovation management in the static part of the economy does not have the ability to transform to dynamic approach and change. All players on the market will operate with the same technology, same production prices and same market-selling price, only minor differences will occur. Competition, in the traditional meaning in the static economy, means to acquire market shares. Competition does not extend the total market. When innovation has been introduced, the concept of innovation management also has to adjust to the new production patterns and technology that comprises all classical production means.

The adaptation process requires change in the endogenic practice of management of the innovation. Our focus, thus, should be on managing oneself. The successful entrepreneur is a "gentleman of the World". He is well informed and has the courage to make the right decisions by himself. Innovation can never be a matter of delegation. Jean Baptiste Say describes the personal quality of the entrepreneur: "(---) he must employ a great number of hands; at another, buy or order the raw material, collect laborers, find consumers, and give at all times a rigid attention to order and economy; in a word, he must possess the art of superintendence and administration

(---). Innovation changes the established way of production and alter the competition on the market. The entrepreneur is not a competitor on the static market, he changes the rules of the game and the followers are forced to adapt to the new technology. The old competition will forever be gone, a new equilibrium will be established as a direct result of the transformation and a new static competition will occur.

The personal qualifications of the entrepreneur is unevenly distributed in a population and the entrepreneurial activity cannot be bought like a product nor be delegated. Innovation cannot be treated like an input factor, and for this reason, it does not represent general strategic competitiveness. Any member of the public can take the role as entrepreneur, and when successful, the strategic competitiveness will be changed. For the successful entrepreneur, innovation is obviously a strategic competitiveness, whether he is already well established on the market or a newcomer. The only problem in this context is that the innovation can never be predictable. Strategic, implies a situation taking place in the future, without any determination about the range of the change. Innovation, even thou being a spontaneous change, determine the future, for a shorter or longer period. The competitiveness based on innovation is in the hand of the personal individual, and that makes it unfit as a strategic tool for any business without direct ownership and control by the individual person.

### Literature

1. Fayol H. (1916/1956). *Administration Industrielle et Générale*. Paris: Dunod.
2. Sandal J-U. *In the footsteps of the early Joseph A. Schumpeter*. Finstadjordet: Sandal Institute, 2017.
3. Say J. B. (1821/1971). *A Treatise on Political Economy*. New York: Augustus M. Kelly.
4. Schumpeter J. A. *Theorie der Wirtschaftlichen Entwicklung*. Leipzig: Duncker & Humblot, 1912.
5. Taylor F. W. *The Principles of scientific management*. New York: Harper & Brothers, 1916.



Електронний додаток  
до матеріалів Міжнародної науково-практичної конференції

**КОНКУРЕНТОСПРОМОЖНІСТЬ  
ТА ІННОВАЦІЇ:  
ПРОБЛЕМИ НАУКИ ТА ПРАКТИКИ**

присвячена видатному  
вченому-економісту О. Г. Ліберману

Тези доповідей  
Міжнародної науково-практичної конференції

16–17 листопада 2017 року  
м. Харків, Україна