THE ENTREPRENEURSHIP AND INNOVATION CONTEXT IN AN INTEGRATED MODEL FOR THE DEVELOPMENT OF ECONOMIES AND ENTERPRISES

Iskra M. Panteleeva¹
Anatoliy S. Asenov²
¹, ² D. A. Tsenov Academy of Economics – Svishtov, Bulgaria
E-mail: ¹i.panteleeva@uni-svishtov.bg; ²a.asenov@uni-svishtov.bg

Abstract: This article presents some major formulations related to innovations and the role of the entrepreneurship component for the development of economies and enterprises. The emphasis is placed on the possibilities for their integration and the identification of strategic axes for business growth. On the basis of a common framework of key drivers for the development of innovations, entrepreneurship and economic growth, we have developed a general model for the integration of innovations and entrepreneurship in macro- and micro-aspect.

Key words: innovations, entrepreneurship, innovation entrepreneurship, company development.


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Introduction

The development of economies and the society is always accompanied by innovation changes. The search for and the identification of appropriate fields of action, the initiation of developmental activities,
their practical transformation into new or improved processes and products is a major function of the innovation development and results in a number of competitive advantages for every economic system regardless of its level of aggregation – national economy, industry, region, enterprise. The implementation of the entrepreneurship principle, notwithstanding the phase of the innovation process, including the initiation of ideas and their transformation into working business solutions, brings additional positives. The realization of innovations for the achievement of competitive indicators always carries risk, requires vision and presupposes creative charge on a motivation basis. The interweaving of innovations with entrepreneurship, the direction of business efforts to purposeful actions for innovation activity based on entrepreneurial principle, the initiation and development of entrepreneurial activity through the implementation of innovative goods/services offers a number of multidirectional synergetic benefits to enterprises.

The aim of the article is to present some major starting formulations in the field of entrepreneurship and innovations directed towards their integrated consideration and the combination of the benefits they bring. On this basis, we strive to construct a general model based on the key drivers for the development of innovations, entrepreneurship and economic growth directing the efforts towards an integrated utilization of the possibilities of the innovation and entrepreneurship component.

I. Starting theoretical formulations

The scientific knowledge available throughout the last decades confirms the thesis that innovations and entrepreneurship are the major engines of long-term success of enterprises and the national economy. Despite this, it has been for decades that these two fields have been discussed in different directions as individual movements of the scientific and empirical thought. It was not until the end of the 19th century and the beginning of the 20th century that the interest in and the efforts were directed not merely to the deepening of individual research, but rather to the search for intersections between them. There is still, however, insufficient consensus regarding innovation and entrepreneurial activities such as integrity, especially when it comes to precise terms and definitions (Mcfadzean, 2005; Brem, 2-11, p. 6).

The review of economic literature offers a sufficient amount of proof for the contribution, benefits and effects of the realization of systematic activity in the creation (and launch on the market) of innovation results or in the establishment (and realization) of an entrepreneurship business. Both innovations and entrepreneurship are directly related to the competitive
parameters of the systems of various ranks which is why we shall seek their intersections and the synergy between them in order to multiply the benefits and upgrade the accelerators of economic growth and the sources of company success.

Innovations are discussed as the principal means of realization of competitive advantages. In a national and regional aspect, they power the invisible forces of a particular system, whereas their localization provokes the development of the business and increases the educational and qualification characteristics or the workforce with a growing intensity; it also provides resources for upgrade, including making social commitments. The status and potential for development change, too. At an enterprise level, innovations contribute to the optimization of company activities by creating favourable environment for the improvement of transformation processes and the achievement of better figures of the business, the products and the services, etc.

Innovative business structures are characterized by the fact that they seek and find “empty” niches; they always strive to change the circumstances or create new things; they have ideas, which no one before them has thought of; they never give up; they are ready to accept risks, they stick to their ideas even when strongly opposed; they see opportunities, which for others do not exist, etc. (Brem, 2-11, p. 7). The realization of innovation processes from the conception of the idea to its market realization is related to a number of challenges directed towards the combination of innovative, and at the same time, entrepreneurial tasks. The starting point is the availability of the innovative idea, which in itself as a starting moment is simply a current factology of creative intentions. The invention, which is an accent at the beginning of an innovation process (Utterback, 1971), consequently results in transformational changes through its use (Roberts, 2007), but unless it is commercialized by acknowledging its success by the market, it cannot be defined as an innovation result (Gerhard et al., 2011). Going through the various stages and bringing the idea to its market success requires that the innovation management should include a wide range of optimization activities (Olschowy, 1990), as well as the incorporation of the innovation process in the value chain of production.

There is still deficiency of research regarding the applicability of the innovation context within the value chain, and where there is, it is too general. It was not until recent years that combined research was carried out to cover the innovation and entrepreneurship process (Mellor, 2003). In 2007, Hansen & Birkinshaw develop the model of the value chain of innovations which is based on the three major components of the innovation process – idea, innovation and diffusion, according to which, it is only the successful diffusion that can define the enterprise as innovative. Naturally, in the age of
open innovations (after 2000), the Chesbrough concept (2003) is acknowledged as one of the most discussed and applicable to the field of business, as it is namely this concept that sets the most important criterion for successful innovations and long-term success, especially from the point of view of key customers (Bilgram et al., 2008). Subsequently, more and more scholars define innovation as the that important means which pushes startups to their successful entering the market, puts into action and transforms their capacity into a competitive ability (Dosi at all, 2003). Despite the fact that there are still views about various levels of innovation and an ability of innovation success of the newly-established and operating enterprises, more and more authors support the thesis that both new and old, both small and large enterprises can be innovatively successful (van Dijl et al., 1997), whereas without an innovative idea and appropriate market niche for its realization, they could not become successful.

Entrepreneurship and the entrepreneur also provoke the interest of the academic circles and governments. There is in-depth scientific research, especially from the point of view of the economy and management. The entrepreneur more and more perceives him/herself as someone who starts a successful business, who creates job positions, who generates income, who has significant contribution to the improvement of people’s living standard and last but not least, who is a bringer of the new and who creates innovations. These potential benefits for the economy and the society draw the attention and cooperate for the formation of policies for the encouragement of entrepreneurship (Acs et al., 2016), for making effort to prepare young people to acquire entrepreneurship knowledge and skills, for pursuing and developing an entrepreneurship career, for improving the access to funding and the transfer of business opportunities into working solutions, for obtaining tax and administrative relief, especially simplified procedures in cases of bankruptcy, etc.

A number of scholars have spoken about and have empirically proven the significance of entrepreneurship ecosystems (Dionisioa, 2020). They confirm the notion that the success of the entrepreneur’s business depends on the cooperation between entrepreneurs and the environment which has been defined as “dynamic social, institutional and cultural processes and participants that encourage and improve the formation and growth of newly established enterprises” (Malecki, 2018, 1), and most importantly – on the realization of the opportunities for stimulating the innovations and the economic growth within those systems (Spigel, 2017; Autio et al., September 2018). The evolutionary development of the scientific thought follows a direction of research on the basis of “an individual” and “an object” underlying the specific characteristics of the entrepreneur and every entrepreneur’s business (which puts such
interpretations within a certain limitation bearing in mind the inadequacy of the pure entrepreneurial strategies and the individual level for successful implementation in practice – Isenberg, 2011) by placing the emphasis on the “process” (Spigel & Harrison, September 2017), on “the evolutionary dynamics” (Mack & Mayer, 2016) and on the causalities between the processes’ components and entrepreneurship in general (Dahlstrand & Stevenson, 2010).

The parameters of the business, the regularities and the trends in its development and the economies in general provoke intensive research in the scientific field and the development of complex strategies and measures in institutional terms directed towards the search for intersections between entrepreneurship and innovations, the integration of entrepreneurial and innovation systems in macro-plan, the combination of entrepreneurial and innovation processes at an enterprise level, and more specifically – the establishment of an entrepreneurship business that bears an innovative idea, the search for entrepreneurship innovations and the priority research of the drivers, the engines and the support of innovative entrepreneurship.

By approving the key drivers for success, the emphasis is placed on the development of the internal innovative entrepreneurship at large enterprises; at large startups which are oriented towards technologies, and the combination between new and existing businesses, especially aiming at creating innovations. In macro terms, it is believed that the major players who contribute to the economic development of entrepreneurship ecosystems of higher rank are the innovative startups that have a potential for high growth (the so-called gazelles), especially newly established hi-tech enterprises (Guzman & Stern, 2016), when there is good cooperation with the rest of the major players – owners of risk capital, technical universities and other supporting institutions.

The relationship between entrepreneurship and innovations, and their inclusion in the common conceptual framework has been inadequately researched; therefore, few definitions exist. We can only identify general theses and formulations which confirm that the realization of a successful innovation process requires entrepreneurship skills (Martin, 1994); we can also point out that entrepreneurship stimulates the creation of wealth whose source is the implementation of innovations (Drucker, 1985); furthermore, it can be stated that the achievement of market success through innovations is a prerequisite for entrepreneurship, or that entrepreneurship and innovations are predetermined by nearly identical market parameters (Minkes & Foxall, 1981, p. 42). Only in the last twenty years have scholars made a connection between the major innovation and entrepreneurship formulations (Kohtamaki et al., 2011; Clauss, 2017) and have defined entrepreneurship and innovations on a common process basis with corresponding results (Brazeal & Herbert, 1999),
II. Modeling the relationship between innovation and entrepreneurship

Before beginning to identify the common starting points between innovations and entrepreneurship, we shall interrelate changes, creativity and innovations, and integrate them in an innovation-based entrepreneurial process (see fig. 1).

Figure 1. Simplified model of the entrepreneurial process (Brazeal & Herbert, 1999)

Brazeal & Herbert’s model (1999) shows the early stages in the search for a relationship between innovation and entrepreneurship. According to it, the changes in the environment lead to technical innovations. Creative abilities result in the transformation of technical changes into innovation changes, whereas the realization of innovations requires that an entrepreneurial event take place. In their further research, the authors mark this event as innovation.
Zhao (2005, p. 25) claims that during a period of rapid changes and non-linear dynamics, the combination “innovations – entrepreneurship” is the key to organizational stability. The abstract model developed by him places the emphasis on five key elements and dimensions – strategy, system, personnel, skills and style, which he considers as starting points of the process of modeling the relationship “innovations – entrepreneurship”. According to Zhao (2005, p. 34-35):

- Innovations and entrepreneurship are interwoven because innovations are the source of entrepreneurship, whereas entrepreneurship leads to the creation of innovations and fosters the realization of economic worth/value.
- Entrepreneurship uses innovations in order to expand the range of business and accelerate growth; another thing to take into consideration is the fact that innovations and entrepreneurship are holistic and dynamic processes which are not limited to the initial stages of the development of startups.
- The development of entrepreneurship and innovations, and the cooperation between them for successful commercialization of the innovation necessitates organizational culture and managerial style focused on innovations and their support.

A large number of the models that follow are based namely on Zhao’s model. McFadzean et al. (2005) initially develop a synthesized innovation model. On its basis, they interrelate entrepreneurship and innovations as they gradually arrive at the conclusion that organizational results depend on the parameters of the innovation process and the characteristics and behavior of the entrepreneur (McFadzean et al., 2005, Brem, 2011, p. 17).

Shaw et al. (2005) develop a generalized model of the relationship between innovations and entrepreneurship by differentiating two sub-models:
- macromodel – places the emphasis on the driving forces of the environment for stimulating and realizing innovations – social needs, new technological advantages, frequency and level of innovation development;
- micromodel – focuses on the factors which influence the innovation process and entrepreneurship – five principal categories can be differentiated (costs, entrepreneurial catalytic transformation, results, contextual factors and relationships between the individual elements), related to the philosophy of the model for successful management of the innovation process in the conditions of highly risky environment.

Discussing the various models, Brem (2011, p. 29) models a framework of innovations and entrepreneurship, in which, based on the five components defined by Shaw et al. (2005), he seeks the intersections interweaving the macro- and micro-component variables (see fig. 2).
The emphasis in this model falls on the combination of human resources with an entrepreneurial event, on whose basis a key managerial decision shall be made concerning how a certain idea shall be implemented in a business – through standardized product or process development (1) or through the realization of entrepreneurship activities (2) or conceptually developing this idea further by applying the five elements – strategy, system, personnel, skills and style.

Summarizing the various fulcra used by scholars in the search for key drivers that power the business activity of the systems of various ranks, the accumulated scientific knowledge can be synthesized in a general scheme, presented in Figure 3.
Figure 3. Driving forces for innovations, entrepreneurship and economic growth (Dahlstrand & Stevenson, 2010)

The scheme clearly shows the drivers which stimulate the business activity of the various economic subjects and systems in the field of innovations and entrepreneurship, and their contribution to the achievement of economic growth. It is understandable that the realization of the desired results and positives is heavily dependent on the human factor and information technologies.

Based on the theoretical research and the accumulated scientific knowledge, we can construct a general model for the integration of innovations in the general process of creating value and generating benefits for the economy and the enterprises (see fig. 4).
The model places the emphasis on:
- identifying the principal systems of the environment with their key components which have an impact on the entrepreneurial and innovation activity.
- creating and maintaining favourable characteristics of the principal components-prerequisites necessary for the realization of successful innovations and entrepreneurship business, as well as the intersection area – the innovative entrepreneurship.
- creating and maintaining the fulcra for the functioning of synergic models of integrated innovation and entrepreneurship transfer processes directed towards the realization of business activity.
- achieving the ultimate goal – forming a process of generating added value and attaching this process to a functioning sustainable business model of entrepreneurship activity based on innovations.
III. Empirical achievements and further research

The large number of positives from the realization of innovative activities in the field of entrepreneurship business have provoked a research interest not only in the development of different models, but also in the search for empirical proof of the positive influence of innovation on the efficiency of startups.

Rosenbusch, Brinckmann & Bausch (2011) reach the conclusion that there is a *positive relationship between innovations and the business results of the SMP*, whereas its parameters are positively influenced by factors such as: general innovation orientation (not focused on the creation of results of the innovation process – patents, innovative products/services, etc.); younger (not already established structural formations); active development of internal innovation projects bringing even more benefits (in comparison to the projects in cooperation with external partners).

A number of research publications prove the *positive relationship between innovation activity and the subsequent survival of newly-established enterprises* (Boyer & Blazy, 2014; Howell, 2015) – it contributes to the increase of their capacity to assimilate (opportunities) and the efficiency of costs, despite the fact that the risks of the introduction of innovations exceed significantly the risks for non-innovative partners. There are also researchers who are not convinced that such dependencies fully concern younger enterprises as well (Boyer & Blazy, 2014; Hyytinen, Pajarinen & Rouvinen, 2015).

Bradley, McMullen, Artz and Simiyu (2012) ascertain that *innovations are a significant modeling variable which influences the achievement of effects of social, business and individual capital* with a subsequent positive impact on the enterprise’s performance. Some authors have carried out more in-depth research of those relationships proving that enterprises who implement innovations achieve higher productivity by benefiting from the human capital (Business expertise) in comparison to the financial or social capital. Empirical data also shows that the realization of innovations related to differentiation (a novelty as regards competition) contributes to the realization of higher company productivity in comparison to those innovations related to novelties (a novelty which concerns customer demand) (Block, J.H., Fisch, C.O. & van Praag, M., 2017, p. 83).

In recent years, there has been a trend towards the transfer from *closed to open or hybrid innovation processes and models* – a change of the type of innovations from closed to a more open type (Dahlander and Gann 2010),

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1 small and medium enterprise
an increase in the number of enterprises implementing crowdsourcing (Bayus 2013), competitions for innovations, risk capital, incubator structures and other accelerators. Scientific research can only become deeper, for instance, by using crowdsourcing as a tool for the generation of ideas or the solution of problems, or changes as a result of the cooperation between regular and innovative startups, opportunities provided to innovative startups for developing successful business models around new forms of cooperation between established enterprises and startups, etc.

Significant changes have also occurred in the funding of innovations and entrepreneurship. In addition to the private and public capital, new means of funding entrepreneurship capital have appeared such as crowdfunding (Vulkan, Åstebro и Sierra 2016), government venture (Grilli & Murtinu, 2014), startup accelerators, universities and financial tools based on intellectual property. Those new means of funding can add to or substitute the traditional means of entrepreneurship funding such as bank funding, venture capital, business angels, etc. (Drover et al., 2017). The research in this field can deepen in the direction of creating opportunities for innovative startups to attract additional resources through new means of funding, influencing the financial results, influencing the character of access of innovative startups to markets dominated by large operating enterprises, etc.

The development of new technologies and their intensive introduction in the practice and the life of people today has brought changes to the business models and the way the workforce has been involved in the organizational processes. The improved access to the Internet, the mass use of IT platforms, the new technological solutions based on 3D printing, have changed the technological environment and have introduced the technological component in business modeling. More and more new business models are being used as they are based on technological platforms and applications which has led to the extinction of the traditional models used by established enterprises. The entrepreneurial vision is in constant search for ideas and tries to identify opportunities for establishing or developing the business with a wide range of subsequent market offers – not separate products, processes, technologies, services, and complete solutions including in a package a base product, additional products, accompanying services, financial solutions and consultancy help. There are opportunities for startups to find their place in the new business models, finding niches in the value chain of production and the distribution chains, cooperating successfully with the existing enterprises. The profile of the entrepreneur-innovator shall undergo a change too, as well as his/her individual characteristics, knowledge and skills.

The educational system has also been undergoing constant changes which have had an impact on all areas and activities of educational,
organizational and functional range – from the attracting to the creation of educational products and services. The process of the alignment of what is taught with the needs of the business has resulted in the introduction of courses in entrepreneurship starting at the lowest educational stage. In higher education it is a common practice that higher educational institutions offer lecture courses in entrepreneurship and innovations; however, they lack the necessary relationship between them. For the students, this creates the feeling that the entrepreneur and the innovator shall be viewed as two separate entities. The new business environment imposes the necessity of not only expanding the range of the purely entrepreneurial courses and deepening the knowledge offered in them. What shall be sought is an interdisciplinary integrity and adjusting entrepreneurship with the courses in innovation and placing the emphasis on the innovation entrepreneurship, which shall bring significant benefits, offer long-term effects and have a substantial contribution in the development of economies.

The dynamic changes in the development of the economies have brought about significant social changes and have led to a number of challenges which the society must find a way to deal with. Innovation entrepreneurship has the capacity to cooperate in the solution of some of the problems through the realization of various opportunities for the starting up and development of business initiatives and finding solutions related to:

- migration trends caused by the climatic and economic changes – increased urbanization is some regions and depopulation in others caused by poor living conditions and unacceptable life stereotypes, ageing of the population, etc.;
- more serious environmental and pandemic problems;
- changes in the models of working career – the frequent change of workplace, efforts for achieving balance between personal and professional life, using flexible models of employment organization (teleworking, part-time working hours, flexible working hours, etc.);
- increasing the active participation of specific groups of citizens in the entrepreneurship business (women and youths) and making efforts for social inclusion of disadvantaged persons;
- realizing hybrid entrepreneurship, etc.

This base requires complex systems for motivation, stimulation, regulation and funding innovation entrepreneurship with the aim of solving key social problems in acknowledging the role of social entrepreneurship, its specific functions in support of the commitments made by the state.
Conclusion

Innovations and entrepreneurship are relevant topics in the agendas of the economies and the society. Scientific research more and more turns to studying the theoretical base, its modeling and empirical verification with the aim of identifying the opportunities for achieving multidirectional benefits for the economic systems of different ranks. Combining the innovation and entrepreneurship component within a common framework aiming at focusing the efforts for accelerating the capacity of each individual and the economic subjects (in regional and national context) offers additional opportunities for the realization of positives. Such a line of thinking provides topics for further research and the search for empirical proof of the benefits and the effects of the realization of entrepreneurship business which has an innovative idea or offering on the market such innovations that have been conceived with an added entrepreneurship component within the innovation process.

References


**Iskra M. Panteleeva** is an associate professor, doctor in Economics in the Department of Industrial Business and Entrepreneurship at the D. A. Tsenov Academy of Economics – Svishtov, Bulgaria. **Research interests:** innovations, entrepreneurship, human resources, teams, intellectual property.
**ORCID ID:** 0000-0002-6976-0644

**Anatoliy Asenov** is an associate professor, doctor in Economics in the Department of Management at the D. A. Tsenov Academy of Economics – Svishtov, Bulgaria. **Research interests:** innovations, entrepreneurship, human resources, teams, leadership.
**ORCID ID:** 0000-0002-4536-8816
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Editorial address:
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Prof. Andrey Zahariev, PhD – Editor-in-Chief
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Deyana Vesselinova – technical secretary
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Blagovesta Borisova – computer graphic design
☎ (+359) 882 552 516, e-mail: b.borisova@uni-svishtov.bg
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