

Promotion of Innovative Entrepreneurship Under Sustainable Development Tatyana Odinokova¹ , Mariyana Bozhinova² , Mariana Petrova^{3*} ¹ ISMA University, Riga, Latvia; PhD student at the D. A. Tsenov Academy of Economics, Svishtov, Bulgaria ² D. A. Tsenov Academy of Economics, Svishtov, Bulgaria ³ St. Cyril and St. Methodius University of Veliko Tarnovo, Bulgaria

Abstract. As Peter F. Drucker formulated it, "Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service." The methods by which innovations are encouraged change from country to country. The choice of such methods depends on economic, political and other conditions for a country's development. By encouraging innovative activities, governments enhance the effectiveness of innovative systems and create favorable conditions for enterprises to engage in science and technology. For the EU, which falls behind the USA and Japan in so far as innovation technologies are concerned, it is a high-priority task to implement the innovation development strategy and to transform its economy in accordance with the up-to-date model by 2020. The aim of such strategy is to achieve industrial leadership as well as to support business, including small and medium-sized businesses.

1 Introduction Nowadays, innovative entrepreneurship plays a key role in a nation's economic development. Economic literature identifies two models of entrepreneurship – a conventional and an innovative one. The first model suggests entrepreneurship of a traditional type where the entrepreneur aims to manage their business with a view to get the highest possible return on the resources. It is widely thought that the concept of production growth management is formed within the framework of the traditional model, while production growth management itself relies on external factors, such as funding or protectionism by the government. At the same time, internal reserves of an enterprise

* Corresponding author: m.petrova@uni-vt.bg (C) The Authors, published by EDP Sciences. This is an open access article distributed under the terms of the Creative Commons Attribution License 4.0 (<http://creativecommons.org/licenses/by/4.0/>). E3S Web of Conferences 41, 04015 (2018) <https://doi.org/10.1051/e3sconf/20184104015>

IIIrd International Innovative Mining Symposium intended to modernize production, increase profitability and renew the product range, are put in motion.

2 Ways to Promote Innovative Entrepreneurship Innovative entrepreneurship suggests a specific type of commercial activity intended to make profit by creating innovations and proactively marketing them in the national economy. As opposed to the traditional entrepreneurship, the innovative one relies on looking for new ways to develop an existing enterprise. Such innovation could involve new products, technologies, markets, materials, or setting up a pioneering enterprise [1]. The innovation process of the 21st century is radically different to that of the preceding one. Perhaps the most important difference is the new or renewed importance of new and small firms. In the former, science and systematic large firm R&D was the key. In the latter, entrepreneurship is one of the foundations of innovation. The reason why new and small businesses have become key players in the innovation process has been their ability to identify and exploit business opportunities which emerge as a result of technological, competitive and market developments. Besides, large scale economy in R&D is no longer an obstacle for small and medium size enterprises, as was the case in the past. Nowadays, innovations are normally carried out in collaboration between universities, research organizations, customers, suppliers, business rivals and consumers. Such tendency makes it possible to share both the expenses and the tasks. Concurrently,

there has been a massive transition from production to services, which has led to the emergence of new kinds of non-technological innovation in which small and medium size enterprises may play a key role.

Throughout the last decade, the EU has been involved in the formation of innovative policies at three levels, namely, regional, interregional and transnational. The current EU development strategy "Europe 2020" has adopted five priority targets intended to increase the employment rate of the population, to implement innovation, to improve the quality of education, to reduce the risk of poverty and social exclusion and to tackle the problems related to climate change and the shortage of energy and other resources. In order to meet these targets, a framework programme called "Horizon 2020" was launched on 1 January, 2014. There are three priority areas that form the basis for Horizon 2020, namely: (a) generating an advanced expertise to reinforce Europe's competitiveness among the leading global nations; (b) industrial leadership and political backing of businesses including small and medium size businesses and innovation; (c) tackling social problems to meet the challenges of the contemporary world which were specified in the "Europe 2020" strategy.⁴ E3S Web of Conferences 41, 04015 (2018) <https://doi.org/10.1051/e3sconf/20184104015> IIIrd International Innovative Mining Symposium

Innovation motivation programme Provision of publicity and stimulating the public, young people in particular, to become entrepreneurs and to participate in innovative activity. Clusters Support of export and turnover in a specific industry to promote specialization and cooperation in the development of new products or creation of value chain (inter-industrial cooperation) Corporative income tax To encourage the purchase of new technological equipment. In consideration of the foregoing premises, it can be concluded that the methods- in-use have to be analyzed, the most effective ones have to be identified and a model for promoting innovative activities has to be elaborated to meet national economic challenges. In particular, enterprises should aim to use their 5 E3S Web of Conferences 41, 04015 (2018) <https://doi.org/10.1051/e3sconf/20184104015> IIIrd International Innovative Mining Symposium resources and competitive edge to secure investment in innovation. Direct methods of promoting innovative activity include: government funding of projects by providing grants, vouchers, subsidies, as well as by means of venture investment, soft loans and state procurement. Indirect methods aim to secure private 3 E3S Web of Conferences 41, 04015 (2018) <https://doi.org/10.1051/e3sconf/20184104015> IIIrd International Innovative Mining Symposium investment to the innovative activity. An example would be the number of technology parks in the Nordic countries – 30 parks in Sweden, 22 in Finland and 12 in Norway [13]

Research has shown that overall growth of innovative activity has been mostly due to technological innovations, whereas such activity in the field of marketing and management has been a lot lower. Moreover, requirements for an effective 2 E3S Web of Conferences 41, 04015 (2018) <https://doi.org/10.1051/e3sconf/20184104015> IIIrd International Innovative Mining Symposium policy in this field are still not quite clear. Direct promotion Aims Investment in industrial infrastructure and facilities Construction, reconstruction or renovation of industrial facilities to be used by small and medium size enterprises in the manufacturing and processing industry. Support of innovative product implementation Measures to facilitate the increase of efficiency and competitive edge of enterprises by implementing new products and technologies and by increasing private investment in R&D. In order to support economically backward economies and regions of Europe, European programme is planning to provide

EUR 80m, or 25% of the total EU structural funds, in regional development funds. That said, effectiveness of innovation in Latvia is only 54% of the European average [7]. The latest statistic data have shown that 28.2% of industrial enterprises and 23.4% of service providing enterprises are active innovators. Originally, it was intended to develop innovative and technologically oriented entities to support small and medium sized businesses in Latvia. Indirect promotion Aims Centers of competence Support of R&D and innovative activity (elaboration of new products and technologies) based on specific industrial needs. Transfer of technology programmes Increase in the earnings of scientific entities due to commercialization of their research funded by the government, assistance in marketing the results of such research by converting it into practical entrepreneurship. According to European Innovation Scoreboard (EIS), in 2016 Latvia was found the most dynamic innovator among the EU countries. Industrially developed economies have accumulated vast experience in applying direct and indirect methods to promote innovative activity. Indirect methods of promoting innovation include: creation of industrial clusters, business incubators and tax exemptions [10, 11]. The methods of direct and indirect promotion of innovative activity in Latvia have been developed on the basis of international expertise and with consideration of the specific challenges of the national economy. Staff search support Supplying skilled labour force to entrepreneurs to promote higher efficiency as well as development and implementation of new products and technologies. Business incubators Support of viable start-ups with high competitive ability in Latvian regions by providing business environment, consultancy services and access to funding. Due to these factors, small and medium sized enterprises are an efficient tool for elaboration and implementation of innovative changes. Due to these factors, small and medium sized enterprises are an efficient tool for elaboration and implementation of innovative changes. Today, smart business, which helps enterprises to be competitive both domestically and globally, is driven by innovative business models as well as by new products, services and development processes. These tasks involve the accomplishment of all the stages of the innovative chain, from research outcome to its commercialization and marketing. Creation of start-up businesses as well as implementing innovation in the existing small and medium size businesses is the key element of the present day innovation process. Start-ups and innovative small and medium size businesses tend to be considered as agents of change in economy, since they implement new products and services as well as more effective practices. But to achieve it is necessary to increase funding, for example in general, for EU (28 countries) R&D expenditure share in GDP increased by 16,67 % from 2005 [9]. Enterprises' innovative activities, small and medium size enterprises in particular, rely on the forms and methods of promotion. Business communities shall recognize that companies' ability to implement innovations can be a powerful trigger to competitive advantage and process effectiveness, which are so important for small companies which have the understanding that research and development expenses are investments into future development. Information presented in Table 1 shows that all the methods that are typical of the majority of the EU countries are applied in Latvia. According to the Programme for improvement of the National Innovation System, the methods of promoting innovative activity in Latvia have had little effect for the following reasons [14]. Direct funding (innovation vouchers) Intended for small and medium size enterprises involved in the development of new products and technologies. Innovations spur the

competitive edge of business environment, which makes them an essential prerequisite for national economic development, even more so under the conditions of the modern global market. However, backing of entrepreneurship and small and medium size businesses in particular has not so far been incorporated in the innovation policy. Fig. References 1.1. Table 1. ?2013) 5