

# AN INNOVATIVE BUSINESS PLAN IN THE STRATEGIC PLANING OF A SMEs CONTEXT

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## Abstract

*The work is a plea on SMEs by taking the principles of open innovation and their activities focus on the valorization of external sources of innovation.*

**Keywords:** *SME, innovation, business model, strategic planning.*

**Jel classification:** C51, C61, D04

## 1. Introduction

A business plan performs two important functions:

1. Describes how the company creates value and
2. How it retains part of that value

Creation of value can be analyzed using the framework of business model.

Despite the fact that the term "business model" is widely used in the business world, academic communities and researches its use is relatively rare, especially since there is no consensus in defining business models.

The application of the SME innovative business models is not easy because the network of open innovation is the very core of any business model. Existing business models or strategic partners do not pay attention to them include modules on the model, without analyzing interactions with other modules in the general. Therefore, we believe that a business model must be adapted to general business framework to fit the model based on open innovation in SMEs.

Many SMEs are facing strong pressure on the market where they operate. But each product or technology follows a life cycle, and the price competition is dynamic and can start to dominate the market at a given time. When products or services are balanced, the price of competition becomes predominant, and results of extensive results, the market begins to stir.

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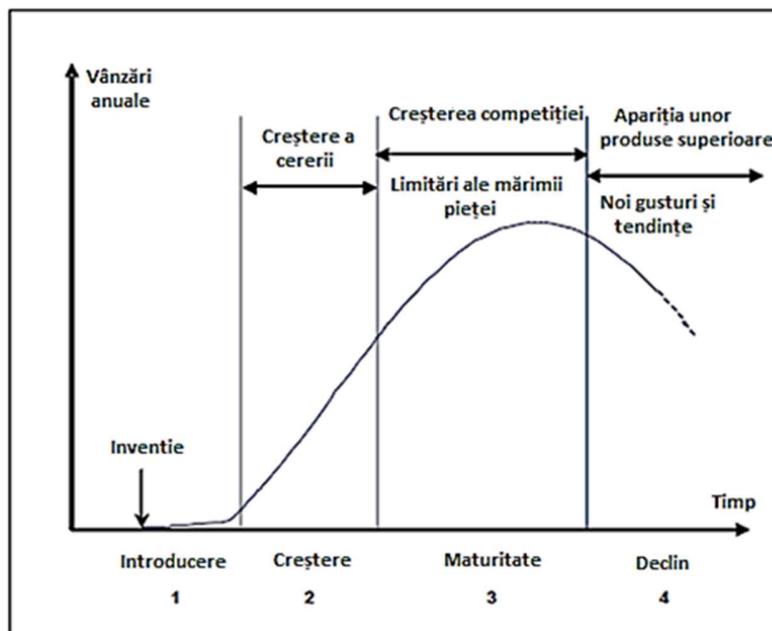
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Typically SMEs do not have the scale and scope of application required to compete effectively on price and they have no other choice but to find new ways to differentiate their offerings or to seize new growth opportunities.

As is known, the life cycle of a product / service has four distinct phases:

1. development,
2. growth,
3. maturity
4. decline,

Each containing several other steps, such as planning, design, production etc. (figure 1.)



**Figure 1.- The life cycle of a product / service from the market perspective**

*Sursa:* Webb A. (2000)

Without a doubt, life cycles are different from one product to another or from one service to another, but can be found a number of elements of common characteristic. In the table below we have highlighted in this context the most important features of the life cycle phases related to a product / service.

**Table 1.****Phases and components of the life cycle of the product / service**

Phase name	Features	Stages
<b>Development</b>	<p>The development phase of the product or service in which the most important financial investment.</p> <p>In this stage, the planning stages of life cycle costs must be objective and flexible alternative to applications</p> <p>Steps:</p> <ul style="list-style-type: none"> <li>• Identify acquisition costs;</li> <li>• Planning Lifecycle and related costs;</li> <li>• Planning Future costs;</li> <li>• Colectarea Data from multiple sources.</li> </ul>	
<b>Growth</b>	<p>Growth stage begins with the introduction of the product or service in the market.</p> <p>Product or service costs and profit potential are maximized at this stage.</p> <p>steps:</p> <ul style="list-style-type: none"> <li>• Identification of acceptable alternatives</li> <li>• Establish common assumptions</li> <li>• Estimate all costs</li> <li>• Calculation of net present value</li> <li>• Calculate the total cost of each alternative</li> <li>• Identify alternative with the lowest cost</li> <li>• Consideration of uncertainty in input variables</li> <li>• Selecting the best alternative</li> </ul>	
<b>Maturity</b>	<p>Phase where sales reach the maximum limit and minimum limit costs.</p> <p>The profit potential is declining as competition increases in the price and need additional resources for advertising and publicity.</p>	
<b>Decline</b>	<p>Sales decrease and eventually the production is ended - the market becomes saturated, there are higher quality products or changes occurring in customer preferences.</p>	

*Source: Adapted from Emblemvag (2003)*

Turning to the business model, it defines how companies provide value to a group of customers, a consequence making a profit. The business model consists of elements closely interlinked: companies make a value proposition to the customer, identify key resources and processes required to deliver that value and devise a formula for profit. Attractiveness and financial viability of business model is eroding over time but once the competition begins to dominate the market price. Sooner or later, existing firms may be substituted. As a precaution, they subsequently engage in so-called "strategic innovation" and "innovative business model", the aim being to identify new ways to create value for customers. Then companies / SMEs must

decide which processes and key resources they need to achieve effectiveness required. Companies that are successful with innovative business plan model gain a unique position in the competitive space, challenging others, sometimes even very difficult to imitate. That is why they developed a series of strategies that explains how a business can achieve a unique position through strategic innovation.

Therefore, strategic innovation requires the creation of growth strategies, new categories of products, services or business models that change the game on the market and generate significant value for consumers, new customers and profits.

Based on the comparison between traditional strategy and strategic innovation, we focused personal observations in the table below.

**Table 2.**

**Strategy vs. strategic innovation**

<b>Traditional Strategy</b>	<b>Strategic Innovation</b>
Adopt a present - future orientation	Starts to shape the future effects, identify long-term opportunities and make a bridge back to the present
Adopt a defensive position	Adopt a revolutionary position
Supports setting business limits / product categories	It seeks to create a new competitive space
Focuses on incremental innovation	Aims to discover something new while continuing to build an innovative core
Follow traditions, linear models of business plans	Disciplined processes interrelated with creative inspiration
Find resources in the category of obvious, traditional	Go to the category of unconventional resources
Responding to clear consumer needs	Responding to needs inarticulate, blurred consumers
Pursuing customer satisfaction	Follow consumer delight
Have one organizational dimension	Experience the entrepreneurial challenges or other organizational structures

*Source: personal opinions*

In conclusion, innovation requires work and mind of a genius, but a collaborative effort between functions and teams united by a mission. Strategic innovation is a multifunctional approach, which brings together all creative assets, capabilities and disciplines within the organization to work together on innovative ideas for a whole new business growth.

## **2. Dynamic and entrepreneurial management skills - A new organizational design SMEs**

Entrepreneurship is not limited to businesses of a certain size, or in certain industries, or to some cultures. Entrepreneurial activity is embraced by individuals of both sexes, of all ages, regardless of training. Entrepreneurial activities are, however, substantially different depending on the type of organization to which it relates.

Entrepreneurship is reflected in all essential dimensions of civilization: social, political, economic. It involves creativity, consistency of change with the side's bases of healthy competition. Entrepreneurial activity is summarized in identifying and capitalizing on economic opportunities. Entrepreneurship is a process that takes place in different environments and business units causing changes in the economic system through innovations made by people who exploit economic opportunities by creating value both for individuals and for society.

In the spirit of the contemporary economy and entrepreneurship play an increasingly important, conditioning a greater extent economic performance.

Professor Ovidiu Nicolescu speaks of entrepreneurship revolution, saying that now occurs worldwide and is a major element of the new type of economy looming.

Reasons for this:

- entrepreneurs are proving main artisans of the "new" economy, which in recent years a record pace and scope superior, while generating unprecedented economic performance, but also socio-economic shock for a sizeable proportion of the population;
- entrepreneurs are promoters of change, the essence of progress in all fields, which tends to accelerate;
- pace of initiation and development of entrepreneurial activities has greatly increased and thus their impact on the economy and society as a whole, as

demonstrated entrepreneurial experience of many countries. Entrepreneurs in the European Union are irrefutable evidence in this regard.

Starting a business can cause rewarding outstanding entrepreneurs and in the same time dissatisfactions.

**The most important satisfactions of entrepreneurship are:**

- **Autonomy (independence).** Initiating a business entrepreneur earns his independence because he is the one who makes decisions and does things to take direction set by him. Although the business requires for it a high degree of responsibility, the entrepreneur wants to uphold.
- **Self-achievement.** Owning your own business operators do not have setbacks in Self-achievement, in expressing full potential. The only obstacles to success are determined by its own ability and creativity.
- **The possibility of an unlimited gain.** Most entrepreneurs earn more than if they would work for others. If successful, the entrepreneur can obtain a profit which covers the interest on borrowed capital and to reward risk taking, effort, talent and entrepreneurial and managerial own capacity.
- **Work Safety.** When involved in business, the entrepreneur has ensured the workplace and can work as it is able to work without being obliged to retire. This advantage is an important reason for engaging in business.
- **Hiring family members.** If business goes well, the entrepreneur will be able to hire all family members. This may provide business continuity by taking on by her children. In addition there may be a moral trust and better business conducted by family members.
- **The use of independent accumulated capital.** The entrepreneur instead of investing in businesses (owned by others which can be very risky) or keep their money in bank deposits can use the money in their own business.
- **Applying their knowledge and skills.** Some people who can't find a suitable job offer own knowledge because of excess labor in industry or for various other reasons, can initiate an entrepreneurial business in which to exercise their personal skills.
- **Breakout from routine.**

- **Breakout from routine.** There are many people who feel the need for change, who want to achieve new things and to leave a monotonous routine activity. Starting a business is an opportunity to fulfill this personal satisfaction.
- **Power and influence.** Supporting a business owner gives power and influence. He makes the decisions and influences the course of actions; he decides the fate of the company, which it creates a great psychological satisfaction.

## 2. Highlights conceptual and methodological design strategy in SMEs in the context of political control issues and specific sector legislative process

In most SMEs, the entrepreneur is the one who sets goals explicitly or implicitly. His decisions are influenced by his vision on how the company should position itself in the market, how to act opposite the competition etc. Sometimes, values and experiences influence the entrepreneur is conscious and willful, deliberate. Sure, the business owner aggregation status with the manager, said the attitude largely explains.

Entrepreneur attitude towards risk also has a considerable influence on the strategy. So those with a limited capacity for risk taking will choose strategies mostly for so-called "safe" environment that minimizes the impact of threats, profits are not spectacular, but acceptable. Frequently entrepreneur with risk aversion insists on addressing the financial perspective of the business, preferring funding from its own resources, the resources borrowed. He avoids as much as possible, significant financial commitments, until the effects become minimal uncertainty. At the same time, innovations are any entrepreneurial interpreted as too risky compared to the situation. Such places a high value on entrepreneurial strategies "conservative" or defensive, aimed at minimizing risks.

The entrepreneur with a high capacity for risk taking, leans more toward strategies "offensive", with greater opportunities for profit, more demanding, challenging but also more risky. For him, innovation is preferable imitation, and defensive and offensive is preferred.

We recall that the strategy designate all major objectives of the organization long term main ways of achieving together with the resources allocated to achieve competitive advantage according to the organization's mission. The entrepreneurial strategy is a strategy that is developed and used in a small or medium entrepreneur involving respectively.

From the examination of business strategies that they have several **defining characteristics** compared to strategies used in large firms.

The first and most striking feature lies in its customization by the developer. Determinant elements of the strategy, vision, the approach etc. largely reflects the **personality** of the entrepreneur.

Most business strategies are not developed very rigorous and comprehensive, not to be found in a document whose implementation systematized were strictly complied with certain rules, as in large firms, led professional. Frequently, some strategies are recorded by an informal (notes, scrapbook, etc.). There are rare cases when states only part of the strategy, some elements being in the "head" of the entrepreneur. Therefore, it is considered that entrepreneurial strategy has a **lower degree of formalization and supplemented with written or informal elements** entrepreneurial thought.

**Simplified composition** is another defining feature of entrepreneurial strategy. It is a situation commonly seen as the six basic components of a strategy - mission, fundamental objectives, strategic options, resources, timelines and competitive advantage - some are briefly treated or even missing. The last remark is particularly true for mission and competitive advantage.

Professional strategies at large firms have a horizon, usually 3-5 years. Business strategies, most often cover **shorter periods**, often 2-3 years. As a result, long-term perspective is often neglected.

Another defining feature for many entrepreneurial strategies is **focusing on niche markets recovery**.

**Among the peculiarities manifested in the components business strategy note:**

- company mission is missing a rule when formulating and has frequently a strong individualistic tint;
- objectives, whether they focus on survival or on development, are fewer in number and not always rigorously substantiated; The most common strategic objectives relate to profit and turnover;
- the resources enjoy , usually attention compared with the previous strategic components, especially in financial and materials; the other two categories of resources, human and - especially - are superficially addressed information;

- strategy deadlines are not always accurate enough and often have a horizon of 2-3 years;
- competitive advantage is not found rarely rigorously defined; usually, he is currently an informal, entrepreneurial intuition is based on entrepreneurial talent that you possess.

### **Types of strategies**

Of the numerous types of entrepreneurial strategies embedded in the listed literature we present the following five categories:

**Complete entrepreneurial strategy** is based on thorough planning processes, which aim to structure the firm's activities. It involves a more comprehensive approach to the work processes takes into account a longer period, examines a larger volume of information, using a considerable baggage of management and economic knowledge that seeks to anticipate possible errors and faces proactive.

**Critical point entrepreneurial strategy focuses** on the most difficult and important issues facing the company and the entrepreneur. After having are solutions to these problems, we continue with the planning.

**The opportunistic entrepreneurial strategy** has as a starting point for planning a rudimentary form, but very quickly deviates from the forecasts as soon as it detects opportunities for the company. There is a "rush" after their recovery opportunities and leads to neglect or failure to initially sketched goals.

**Entrepreneurial reactive strategy** does not involve planning processes directed towards achieving certain goals. Characteristic they are the immediate reactions to situations that company and the entrepreneur are experiencing, without trying to influence.

**The routine entrepreneurial approach**, in contrast to previous types of strategies does not involve strategic behavior. In essence, this approach consists of a sequence of tasks, without selecting certain options. As such, it does not constitute a strategy itself, but an approach routinely character behavior, which manifests itself, usually in companies that do business in and a stable environment. This approach is typical of entrepreneurs who know very well the environment in which they work and whose companies have a business object with a long tradition that is maintained without significant changes, long periods.

The entrepreneurial practice shows that entrepreneurs frequently resort to five combinations of strategies and managerial behaviors. For each firm and entrepreneur and tend to have a strategy and / or a **dominant managerial behavior**. Probably at the base of the

entrepreneur option is primarily the defining features of his personality, manifested in his firm's specific circumstances.

### **3. Conclusions**

The main forbiddance in the way of their concern SMEs in innovation, more than for large companies, is the very high costs involved in this process. This situation could be overcome through increased cooperation and participation of these enterprises in innovation networks.

In general, SMEs are not adepts of open innovation and results in their case are significantly different from those obtained by large companies that are followers of this concept. Large companies have sufficient resources, while SMEs seeking resources that could be directed toward research - development. By their nature, SMEs are not formalized, which otherwise requires a setup process innovative SMEs.

Despite these aspects, open innovation ideas not involve significant risk or do not start major investments, could be generating factor of success of a company. However, this is dependent on organizational culture, characteristics and structure of the innovation process and business model adopted. An open organizational culture to innovation is based on a number of principles of fruitful collaboration between the company and outside experts based on research - development that create value.

We believe that in the case of SMEs in our country assuming the principles of open innovation and focus on the activities of valuing external sources of innovation might bring a significant contribution to growth in innovation performance in the context of these enterprises.

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