

INNOVATION AMONG INTANGIBLE ASSETS (IA)

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Abstract

The purpose of this article is to highlight the existence and importance of innovation present among intangible assets. In the new economy, the knowledge society, innovation is one of the most commonly used terms, along with globalization and sustainable development. This study has an important role in both the short and long term, through proper understanding of the terms of innovation, intangible assets and strategy. The primary purpose of this article is played by understanding and easy identification of innovation amongst those assets above. Most recent studies highlight the idea that can be identified more indirect benefits of innovation. These can be listed as follows: improving the image, better customer loyalty, and ability to attract new ones. This research was focused on the advice of the Executive Directors given by the study of the year 2011 from PricewaterhouseCoopers, on innovation as a means of running the enterprise and also throughout this study we have been highlighted misconceptions related innovation and last but not least the study conducted during 2001 - 2004 by the Romanian Government in order to place a strategic priority Scientific Research.

Key words: Europe 2020, growth, innovation, intangible assets

INTRODUCTION

Depending on the context in which it is used or studied the concept of innovation, can have different definitions and interpretations of each other. A first definition can be made according to origin either English or French, meaning that innovation defines both a process and a result thereof, as follows:

a. Innovation defined as the process → refers to the activity which includes research, design, production and distribution are considered main stages in a system of interactions, with exchanges between the different functions and different participants, whose experience, knowledge and capabilities are enriched and resulting in an **innovation**.

b. Innovation defined as the result → new product, process, process or service.

- In accordance with the wide range of definition of this concept, innovation can be defined as synthetic **transformation of an idea** into a:

- new or improved product launched on the market;
- operational process (technology) new or improved use in industry or other economic activities;

- new type of social service;
- organizing a new type of activity.

Product innovation: new or significantly improved existing products means producing and marketing a product technologically modified.

Changes can be highlighted by changing the basic characteristics of the product, leading to the enhancement and / or services that they offer consumer product, or the creation of new functions.

Minor technical or aesthetic changes are not considered innovations because changes do not affect the performance properties, cost or materials used in the product.

Product life cycle has a strong influence on the scale and pace of product innovation.

Process innovation: technological processes and procedures, new or significantly improved constitute a significant change in a product processing technology, which involves the use of new equipment, new management, new ways of organizing or altogether.

Innovation processes can have the following main effects:

- Increased productivity and increased production inputs and / or lower cost, which ensures product quality and price flexibility;

-Changing facilities, equipment and improving the working methods of the company;

-Radical changes that occur when transform the manufacturing technologies and new products.

On the economic level, innovation as a process has multiple roles:

-Setting long-term goals;

-Tracking renovation and widening the range of products and services and markets;

-Introduction of new methods of production, supply and distribution;

-Requiring changes in management, work organization, working conditions and level of qualification of the workforce;

-Determining renovation of industrial structures and the emergence of new sectors of economic activity.

Process innovation is the core characteristic of the knowledge society triad **science - technology - market**.

Intangible called intangible assets are identifiable non-monetary assets category, out of physical substance-specific capital and intellectual property, which include knowledge on the results of research and development (embodied in the concept studies, scientific, specialized treaties, documentation, patents, certificates of innovative etc.), brands or trademarks, trade secrets and industrial advertising titles, software, copyrights, licenses, user training and education activities etc. . Education is a component of sustainable development, but also an activity that generates intangible assets [10].

According to IAS 38 "Intangible Assets", **an intangible asset** is a non-monetary asset, identifiable, without physical substance material, economic value, which can be found in the legal and contractual rights [7].

Intangible assets have considerable implications for the financing of the knowledge society vision [9]. They are the most important resources of an economic entity because the light can analyze their technical - material basis and revenue related to its evolution in time and continued capacity development [8].

The appearance of these elements is due to the

need for evaluation [1], accounting and recovery of ideal elements - intangible presented as patents, trademarks, models, copyrights, franchises, software etc. , or as competing elements such as the direct market research - development, quality management organization etc. [2].

According to a recent study provided by PricewaterhouseCoopers identified some misconceptions related to innovation which should be remedied quickly so that the innovation process can provide the lightness results.

These might be:

1:Innovation can be delegated. Any innovation action can only start from the top. Business leaders are the ones who set the tone change that can shake the foundations informal structure of an organization and can change an entire corporate culture. If the head of the organization will not reward innovation, will not protect the entire process and will not change the internal working relationships to foster innovation, the effort may fail.

2:Middle managers are natural allies of innovation. In fact, managers do not excel in terms of embrace innovation as a natural process to streamline the business. Their tendency to increase profits through operational efficiency rather urges the rejection of new ideas that may deviate from verified growth paths.

3:Innovative talents work only for money. We are aware that the ultimate motivation of people is highlighted rewards innovators related to the successful launch of new products and services. Money alone will not determine the success of an innovation effort. In addition to money, are equally important and compensation measures, such as public recognition of the efforts and holding a certain degree of autonomy.

4: Innovation is born from lucky accidents. In fact, innovation means a huge effort and disciplined search for new solutions, in a process which often end up clogging experiments. In this situation, the key to success is given only by discipline tests.

5: Innovation cannot be measured. Contrary to this LP, innovation can and should be

measured. It is up to the business manager to identify indicators like ROII (**return on innovation investment** - ROI of innovation). This innovation should be part of the same rigor as with other areas of business, all based on the premise that in the initial stages of the innovation process uncertainties and risks are very high levels.

Innovation occupies the highest place of prioritizing industries where technologies are constantly changing customer expectations reworded, or where the convergence of technologies means a profound impact on business models.

MATERIALS AND METHODS

This paper is based on literature study both national and international in order to identify the direct link between innovation activity and intangible assets. The correct understanding of the terms of innovation, intangible assets and strategy, research becomes an important issue in both the short and long term. The analysis refers to the year 2011 of the study from PricewaterhouseCoopers, the advice of the Executive Directors on innovation as a means of running the enterprise and also throughout this study we have been highlighted misconceptions related to innovation and not Finally the study conducted during 2001 - 2004 by the Romanian Government in order to place a strategic priority Scientific Research.

I have also introduced the situation of innovations of such economic elements in the EU illustrated in Romania, which prompted a study and comparison with other countries through a report provided by the European Commission in 2013. It contains a survey study conducted during January-February 2013 on the 8715 respondents in the EU27, including Romania. In this study were used Eurobarometer survey, interviewing methods and confidence intervals.

RESULTS AND DISCUSSIONS

In the period 2001 - 2004, Romanian Government Scientific Research places a strategic priority. The program identifies the

most important issues and actions to be taken of them:

- 1.Improving the legal and institutional framework for research and development and capitalization of research and development results (R&D).
- 2.Defining strategic areas and ensure their funding priority.
- 3.Updating the financial system for research, development and innovation.
- 4.Development of R&D infrastructure quality.
- 5.Development of human resources in R&D.
- 6.Distribution capacity development of new knowledge.
- 7.Stimulation and capacity of absorption and distribution of research results in economic and social development.
- 8.Adapting R & D & I (research, development and innovation) the requirements of EU integration.

However, strategy still is generous and coherent and implementation lagging behind affects the potential success.

According to the study provided by PricewaterhouseCoopers (11 July 2011) summarized in Table 1 below, we see that 43% of heads of organizations in the pharmaceutical industry, the entertainment and media believes that their biggest opportunities for growth into a year since the crisis and 2011 are included in launching new products and services [3]. The structure of the business is changing rapidly, so companies are forced to adapt on the fly (see Table 1).

The changes existing among industries listed in the table above, are due to an increasingly globalization. Thus it can be seen that 41% of businesses in the pharmaceutical industry is expected that most innovations are developed in countries other than the country of origin of the business. The result will be the identification of innovations that will generate competitive advantages for the right markets. Businesses that take place mostly in mature markets need to differentiate between when the majority taking place in emerging markets looking to advance on the value chain in order to reduce dependence only labor cost advantage, an advantage extremely labile.

Thus, we can say categorically state that innovation exceeded the allocation of

resources to people in white coats to work on various projects in laboratories mysterious isolated from the rest of the world.

Table 1. CEOs view innovation as a means of running the business (%)

Categories of industries	1. The main way to grow	2. Efficiencies for an edge	3. Significant revenue opportunity
Communications	49	41	43
Entertainment & media	43	17	33
Pharma & life sciences	43	15	36
Business & professional services	41	12	26
Forestry, paper & packaging	35	12	8
Technology	34	34	42
Chemicals	34	34	29
Transportation & logistics	32	40	33
Metals	32	32	25
Insurances	32	30	28
Industrial manufacturing	32	26	33
Automotive	28	38	36
Total financial services	26	31	28
Consumer goods	25	25	33
Retail	21	20	19
Oil & gas	20	33	24
Utilities	19	15	11
Engineering & construction	18	23	19

Source: www.ittrends.ro [12]

Currently the innovation process has come to represent rather a continuing need for improvement and reinvention of products, processes, services and even brands. Such a process involves more people than before, in processes, structures and practices more rigorous. Presenting an overview, we note that 78% of business respondents believe innovation as generating "sufficient" new revenue opportunity for cost savings over the next three years.

EU 2020 is the Strategy of EU to promote smart, sustainable and inclusive growth. It created a ten-year strategy (being launched in 2010), in which the EU aims to support economic growth and employment from then until now but in the future. Its objective is more than overcome the crisis in which our economies now gradually recovering. The strategy aims to tackle the shortcomings of our development model and create favorable conditions for smart, sustainable and inclusive growth.

To do this until the end of 2020, the EU has set five key objectives regarding: **employment, research and development, energy / climate, education, social inclusion and poverty reduction** (also Table 2).

Table 2. The goals of Europe 2020

Goals	The goals description
Employment	75% employment rate of the population aged 24-60 years
Research and development	3% of GDP
Energy \ Climate	20 \ 20 \ 20: <ul style="list-style-type: none"> • 20% reduction in greenhouse gas emissions; • Increase renewable energy by 20%; • Increase energy efficiency by 20%.
Education	School dropout rate - less than 10%; The percentage of university graduates - 40%
Poverty	Reduce by at least 20 million the number of people living in poverty

Source: www.ec.europa.eu [11]

The five objectives listed in the above table are supported by seven flagship initiatives which provide a framework for the EU and national authorities mutually reinforcing their efforts in priority areas for the Europe 2020 strategy, such as **innovation, the digital economy, employment, youth, industrial policy, poverty reduction and energy efficiency**.

Table 3. The flagship initiatives of the Europe 2020 strategy

Smart Growth	Sustainable Growth	Inclusive Growth
Innovation <i>Innovation Union</i>	Energy and climate <i>A resource-efficient Europe</i>	The labour market <i>New skills and jobs</i>
Education <i>Active Youth</i>	Competitiveness <i>An industrial policy for the globalization era</i>	Fighting poverty <i>European platform against poverty</i>
Digital Society <i>A Digital Agenda for Europe</i>		

Source: www.ec.europa.eu [11]

Innovation is essential for growth and competitiveness as one of the core elements of the strategy 2020. Moreover, the EU aims at becoming "an Innovation Union".

Through its regional policy and research and innovation, the EU promotes smart and sustainable urban development. Future

research and innovation program of the EU Horizon 2020, which will take place in 2014-2020, will focus more than ever on the financing of the whole "innovation chain" from scientific discoveries to market development. Future EU regional funding programs and they also will be focused on innovation, such as the creation of infrastructure for research.

Smart growth refers to the idea of innovation supported by the Innovation Union, lifelong education (leader being active youth) and especially the digital society: we all need to acknowledge and cope with digitization era; according to the new digital economy and information society develops inversely with human skills development.

Sustainable growth and focuses on development, protection and conservation of energy and climate by creating a Europe responsible for the efficient use of resources. We must learn to protect and preserve the environment in which live together.

Inclusive growth is addressed directly to urban development and hence human resources by developing labor market with the help exploit the skills acquired and by creating and providing new jobs and especially the organization and implementation of actions to combat poverty and creating a European platform for monitoring analysis and interpretation of this phenomenon affecting all mankind.

In the knowledge economy, IA and innovation should contribute more to a company and represent a competitive advantage of a country. At the firm level, they constitute a substantial part of the market value, along with tangible assets. In the United States and Europe, macro, investments in IA amounted wealth and living standards.

Unlike tangible assets which include physical properties, such as machinery, buildings and equipment, intangible assets, such as software and databases, brand equity, human capital, organizational structure, research - development, copyright and licenses, cannot be touched or seen their value is hard to measure.

However, IA causing or leading to the emergence and operation of the innovation

process, contributing more in a firm determines a country's competitive advantage. For example, US companies invest more in their own intangible assets rather than in the tangible ones, indicating a major shift towards a knowledge-based economy.

Traditional accounting practices associate IA with a cost of doing business, not as an investment in growth and innovation. Without the concrete internal and external data on intangible assets, managers must rely on intuition to make important decisions about investment assets, while investors find it difficult to assess the potential profitability of companies. It is time for a fresh look of how private companies these critical assets.

The presence of innovation amongst IA is a real competitive advantage for economic recovery.

IA is essential for innovation and renewal organizations today, "in most businesses, they exceed the physical assets, both in value and contribute to economic growth" [5]. Moreover, IA allows other types of capital accumulation and, as such, is a central resource for organizations.

A very interesting study is also the one in 2013, provided by the European Commission. This is actually a survey study that aims to highlight the categories of IA investing companies to see what kind of resource categories used in investing such items, estimate the benefits obtained as a result of investment in IA and the link between innovation projects and investments in these important items. The investigation focused on companies in the 27 EU Member States, including Romania. The survey refers to companies using one or more persons in areas such as manufacturing, services and industry. The sample was selected from the international database, with additional sample of the local sources when necessary.

According to the study, the activities which most likely have had investment on domestic resources are improving business processes (60%), training (58%) and the company's reputation and branding (2%). It was found that at least half of companies have invested using internal resources for organizing and improving business processes (60%), training

(58%), and company reputation and branding (52%). Only 41% of companies have invested in creating products and design services, 39% in software development and only 32% in research and development [4].

The company's reputation and branding is the only area where at least half the company predicts investing at least for two years. Specifically, 11% of their investment benefits are expected to last more than ten years. In 2011, at least four out of ten companies have invested up to 5% of turnover in training (44%) and organizational or business process improvement (40%) using internal resources. More than a third (37%) invested up to 5% on the company's reputation and branding (37%) and only 29% have invested this money in software development. Based on internal resources, a quarter of companies (25%) have invested up to 5% for the product or service design, while 20% of this amount invested in research and development [4].

Training - is one of the IA deemed to have the shortest duration of benefits. 51% of respondents were on the opinion that these benefits will be felt for more than two years.

Regarding the company's reputation and branding was proved that in 2011, Romanian companies invested 5% of internal resources, unlike the US (34%), Slovakia (33%), followed by Polish and French companies (both 22 %) [4].

36% of Romanian companies are investing in the design of products and services, 32% in software development and only 24% in research and development.

From turnover obtained Romanian companies are investing in training activity only 15%, unlike Japan which allocates nearly half that amount. 92% of Romanian companies tend to say that they do not invest anything in the company's reputation.

88% of Romanian companies claim that in 2011, have not invested anything in the organization or business process improvement activities from external suppliers.

Most of the companies in each country claim that in 2011, have not invested anything in software development from external suppliers. The same support and 92% of the

Romanian companies surveyed.

Manufacturing companies say they have not invested anything in company branding and reputation from external suppliers (73% vs. 66% - 67%), as well as for the research - development (77% vs. 82%) [4].

The company is smaller, the more likely there will not be any investment in each of these activities. For example 73% of companies with 1-9 employees have not invested anything in the ESP software development, compared with 32% of those with 250 or more employees. This pattern is repeated for training, corporate reputation and branding, organizational and business process improvement, product or service design, research and development.

Companies say that one of the main priorities is to develop new products and services are more likely to be made at least some external resources for investment in research and development (22% vs. 13% -16% for other priorities). Those that during 2009 - 2011 have introduced new or significantly improved products, services, or processes, marketing strategies or methods of distribution, or organizational structure or management methods are more likely to be invested in each area of intangible investment asked, compared to companies that would not make such changes. For example 31% of companies have introduced marketing strategies or new or significantly improved distribution methods, external resources invested product or service design, compared with 17% of those who did not make these changes [4].

As a conclusion we mention that spot the two activities that are most likely to invest using internal resources are improving business processes (60%) and training (58%). The two activities that are most likely to be attracted by foreign investment in resources are the training (38%) and the company's reputation and branding (30%). According to the survey, one in ten companies that have invested in the company's reputation and branding benefits are expected to last more than 10 years. In general, the highest percentage of such predictions is recorded for the period up to two years. For example, 50% of Romanian

companies expect investments in research - development to be felt for more than two years [4].

Companies in the services sector (49%) are most likely to expect that the benefits of their investments in organization and business process improvement to last less than two years, especially when compared with companies in the industry (40%). The same situation for investment in the company's reputation and branding (40% vs. 35% for the other sectors) [4].

Covering all areas of investment, companies with 50-249 employees are most likely to expect benefits to be felt over a period of at least two years, particularly where research and development (72% vs. 47% -59%) and especially software development (57% vs. 41% -50%) [4].

Companies in the industry are most likely to be targeted more than 5% of the investment in training (25%) and the company's reputation and branding (28%) in innovation projects. Those in the services sector are most likely to be used more than 5% of their investments in research and development (28%) to innovation projects [4].

CONCLUSIONS

Skills and qualifications of employees are considered the largest recipient of investment in IA. Companies that have invested in any of those IA were asked if their company would have benefited from investments in a number of areas. 53% of the companies refer to their employee's skills and qualifications. Also, a high percentage of companies argue that such investments have increased sales. More than a third (37%) says that was part of a lot of benefits in terms of market share, while 36% say this about the company's profit margin.

All companies were asked if they had introduced a number of new issues or to make significant improvements to their business during 2009 - 2011. More than four in ten (42%) have introduced new products, services or processes or have significantly improved and 28% claim to have introduced new organizational structures and management methods or have made significant

improvements, while 27% have introduced new marketing strategies or methods of distribution [4].

Finally, companies that have introduced new improvements in one of the areas discussed above, and that also invested in IA, were asked to specify what percentage of these investments (in 2009-2011), were related to specific innovation projects (not to innovation in general).

More than a quarter of companies say that more than 5% of their investments in R& D have been linked to innovation projects (26%), while 25% say the same for investments in products or services design. Only a quarter (23%) say that more than 5% of their investments were for the company's reputation and branding, and the organization or business process improvement was related to innovation projects, while 20% say that they work on investments in software development and 19% on investment in training [4].

On the other hand, one of five companies (20%) say that none of their investments in software development, R&D and design of products and services were not related to innovation projects [4].

In building the knowledge society must be aware of the idea that knowledge has become the main factor of production and progress, and the need for innovation and learning processes, considered fundamental for sustainable growth.

The presence of innovation amongst intangible assets is a real competitive advantage for economic recovery.

To enable innovation within organizations, research and development functions are no longer sufficient to successfully compete in an international market dynamics.

Different organizational IA should be aimed at optimally innovation, and organizations that should allow the existence of a culture of innovation, creating an atmosphere and internal stakeholder relationships that promote flexibility for innovation and change.

The role of IA for organizational innovation is done in time, because "*innovations are created primarily by investments in IA*" [6].

By studying the literature of studies of

communication, marketing, psychology, information technology, and human resource management, we identify six dimensions in terms of specific innovation contribution of IA, from the individual to society. These are not exhaustive, but especially highlight the most important economic areas in which these elements are related to organizational innovation.

In the literature we identified the idea that the "old economy" discuss tangible elements such as traditional machines, production lines and others, and according to the new economy, the knowledge society talk about intangibles as: software - links, design, reputation brand, migration to knowledge intensive activities and development of the service sector.

Innovation refers to the production of as many outputs, not ideas or happiness.

Summarizing innovation means an additional output to the use of additional physical capital and labor. It also can mean additional production obtained from the use of new knowledge.

In conclusion, all the research and all specialized studies reveal that IA provides an important contribution to organizational innovation.

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