# INNOVATIVE THINKING ROLE IN SUSTAINABLE GROWTH

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## ABSTRACT

The main purpose of this paper is to discuss and evaluate the innovative thinking role in sustainable growth by identifying and conceptualizing a theoretical model. Sustainable growth represents a priority topic for business that faces with growing demands of environmental challenges. By the other hand, innovation is at the center of the European Commision 2030 Agenda for growth, specially innovative thinking is a priority for each company, institution and personal level. As innovation is the key to meet sustainable development challenges, the main objective of this paper is to examine how innovative thinking development leads to sustainable growth. Research on the links between sustainability and innovative thinking have much in common thus determining reasonable the effort to build a strategic model that describes this relationship. By drawing upon existing literature is addresed the question of which are the factors of innovative thinking that affect sustainable growth. The paper provides a revised conceptualization that ends by building a theoretical framework spectrum.

**Keywords:** *sustainable growth, innovation, innovative thinking, strategic model, creation of shared value, global partnership*
**Jel Classification:** *A13, O32, O33, O35*

## 1. Introduction

According to the awareness raised by the 2030 Agenda of European Commission creativity and innovation are emphasized as key drivers of personal, social and economic development. The terms of creative solution and innovative practices are defined as a catalyst to the growth and well-being for the Europen Union regions and countries (European Commission, 2015).
The concept of sustainability is first identified and originated from the World Commission on the Environment and Development, in the 1987 report "Our Common Future", which broughtan absolute case for linking the natural environment with the global economy. In this report the World Commission argued about the serious economic consequences from environmental neglect, by advocating the adoption of sustainability as a framework for interpreting development processes (World Commission 1987).

The basic logic that explains the importance of studying sustainable development is based on the on the close connection of economic activity with people's material standard of living, resource use, consumption, production and quality of life.Relying on the fact that economic activity is largely founded on the operation of markets, the debate about sustainable economic development its correlated with the extent to which markets could produce sustainable economic development.Referring to the sustainability point of view, three are the main elements affected and involved from the interaction and operation of markets to achieve growth: the use of resources, environmental impacts and social change.Ensuring sustainable growth, increased

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income must come about in a way that does not reduce the ability of the environment to keep providing at least the same level of income into the future.

In the context of these arguments it emerges the role of inovative thinking and innovation contributing to sustainable development.According to UN Millennium Project (2005) innovation plays several roles in general development and in sustainability transition in particular. Based on the fakt that the competition of developing contriescan is drived by trying to offer low-priced goods and leading to declining prices, innovation can be a way to sustain economic growth**.**Another contribution of innovation is that it can reduce hunger and poverty by helping to increase agricultural productivity, thereby lowering food prices. Finally, innovation can promote sustainability by offering new environmentally-friendly modes of economic production and consumption. Advancing a nation's capacity in innovation and its effective application in economic activities are, therefore, essential factors for expanding people's capabilities and achieving sustainable development.

## 2. Deriving from innovative thinking to sustainable development

The main role that innovation as a result of well implemented innovative thinking, plays in driving economic growth is well known from the work of Robert Solow[2]. According to Solow: "An especially easy kind of technological change is that which simply multiplies the production function by an increasing scale factor" (Solow, 2007). This statement describes fairly clear that technological advance defines a significant part of economic growth. Relying on the conclusions of the work of this author we can confirm that policies aiming to promote the technological developments create the opportunity to promote economic growth and ensure a simultaneous confronting to the challenges in the competitive environment.

Arguments of other authors in convergence with Solow's thinking line follow the same logic and refer to technological developments with the term of technological innovation. Researcher like Uzunidiz (2009) claims that technological innovation plays an ambivalent role in a sustainable development context: first as the source of the problem (for the ecological side) and second representing hope for a solution. Also Hartmann (2007) relying on the Neo-Schumpeterian analyses argues that technological innovation has a more pronounced role that a multiplicity of innovation forms emphasized by Schumpeter (Hanuschet.al. 2007).

Porter et al(2011) has studied the role of innovation in the sustainable development through the shared value strategy hypothesis. The researcher through this hypothesis argues that, it is possible for a company to create simultaneously social and economic value through technological innovation. Thus the value created to solve a social problem enables a parallel creation of an economic value.If a business achives an innovation that can be used for the solution of a social problem, its competitive advantage will increase. Isada et al. (2015) claim that the management strategy followed by a firm for solving social problems, helps in structuring long-term organizational capability thus offering a sustainable asset for long term competitiveness.

Anadon et.al, (2015) along with identification of the importance of technological innovation have also described the imbalances arising from the innovation systems, driven primarily by markets and the most highly-resourced states, so that the needs of marginalized populations and future generations are not adequately met.

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Innovation is not only as a driving force for sustainable industrial development, but also a tool for poverty reduction, for economic growth and competitiveness. Morssy (2012) represents innovation as a form of added value and underlines the innovation role as a risk management tool improving the chances to deal successfully with local or change, incurred by social, economic or sustainability pressures.

In the context of sustainable development, the products or services created through innovative thinking and creativity must accomplish a very important condition. They should be designed and provided in such a way that would provide a path to examine the economic, environmental and social results of decision-making, thus serving as an important tool for ensuring that long-term impacts are not ignored at the expense of short-term benefits. The main debate according to researchers is the uncertainty regarding how to best promote sustainable change and the impacts of policies and mechanisms taken towards sustainable development (Elliot, 2013).

The concept of strategic alliances is also advocated by authors as a link between innovation and sustainable development. According to Hart el al.,(2013) sustainability‘ is a keyword in shareholder value which leads human beings to a sustainable society. A company is successful as long as its value is continuously created to the satisfaction of the main stakeholders. Spekman et al.,(1998) argues that strategic alliances are close and long-term, and there is a reciprocity between plural partners in terms of sharing resources, knowledge and capabilities with the aim of strengthening each partner‘s competition status.

According to Hamel et al., (1998) the aim of a strategic alliance is the creation of three values: they are co-option, co-specialization and learning. Co-option relates to gaining the majority position in the industry and catching a defacto standard. Co-specialization is the acquisition of external managerial resources, positioning, skill and knowledge. Learning is studying the skills performed excellently by those in the companion company. That is, learning mutually is important when seeking to increase presence in a market. Badaracco (1991) claims that, a strategic alliance is divided into product links and knowledge links . Generally, product links are formed in many cases in order to fill gaps in the product portfolio of a company.

Inkpen (2010) states that, if a strategic alliance is managed appropriately, it can become a powerful method for creating new organizational knowledge. According to Badaracco (1991), in catching the essence of the strategic alliance as knowledge links, knowledge is divided into two types: migratory knowledge and embedded knowledge. Migratory knowledge it is knowledge which can be expressed clearly, it is knowledge with easy transfer. On the other hand, the transfer of embedded knowledge is slow and it is a knowledge which exists in a complicated social relationship. So again identifying creative thinking as a form of new knowledge, contributes to sustainable development by referring to the approach that strategic alliances.

The Green Growth (GG) concept supports the development of green industries, jobs and technologies, whilst allowing for a smooth transition into a green economy. The overall objective is to integrate economic development, environmental sustainability and social equality into all levels of decision making – ranging from the government, industry, right down to the consumer. Green Growth can be defined as “economic progress that fosters environmentally sustainable, low-carbon and socially inclusive development”, whilst utilizing fewer resources and generating fewer emissions in meeting demands for food production, transport, construction, housing and energy. It integrates key aspects of economic performance, such as poverty reduction, job creation, social responsibility, whilst also improving a nation’s environmental performance through the mitigation of climate change and biodiversity loss, as well as the security of access to clean water and energy (Morssy, A.2012).

Nidumolu et.al (2009) describes that by treating sustainability as a goal today, early movers will develop competencies that rivals will be hard-pressed to match. That competitive advantage will stand them in good stead, because sustainability will always be an integral part of development. Authors propose a model of five steps at company level to be followed to ensure sustainability avantage: (1) viewing compliance as opportunity - in addition to legal standards, enterprises feel pressured to abide by voluntary codes; (2) Making Value Chains Sustainable-companies must develop sustainable operations by analyzing each link in the value chain; (3)Designing Sustainable Products and Services- redesign existing products or develop new ones; (4) Developing New Business Models- requires exploring alternatives to current ways of doing business as well as understanding how companies can meet customers' needs differently; (5) Creating Next-Practice Platforms- to develop innovations that lead to next practices, executives must question the implicit assumptions behind current practices.

The presented model from Nidumolu et.al (2009) through the fifth phase of "Creating Next-Practice Platforms",it enables us to conclude for a mutual and reciprocal relationship between the innovative thinking and sustainable development. This kind of interactive relations is also evidenced by the previous scholars.Hockerts( 2003) suggests that sustainable development drives innovations.Other authors of the study in the sustainable development field, have developed approaches for linking sustainability to advancing management tools for the creation of new markets through environmental innovation (Fussler, 1996;Cohen et al., 2008).

## 3. The European 2030 Sustainability Agenda and Inovation role

The 2030 Agenda for Sustainable Development builds on the experienceof Millennium Development Goals (MDGs), which have made an enormous contribution in the fight to end poverty. The Agenda itself consists of 4 sections: (i) a political Declaration (ii) a set of 17 Sustainable Development Goals (SDGs) and 169 targets (iii) Means of Implementation (iv) a framework for follow up and review of the Agenda (European Commission, 2015).

The sustainable development goals are global and universally applicable, taking into account national realities, capacities and levels of development and specific challenges. All countries have a shared responsibility to achieve the SDGs, and all have a meaningful role to play locally, nationally as well as on the global scale. In addition, the 2030 Agenda integrates in a balanced manner the three dimensions of sustainable development – economic, social and environmental. The 2030 Agenda is also indivisible, in a sense that it must be implemented as a whole, in an integrated rather than a fragmented manner, recognizing that the different goals and targets are closely interlinked. The 2030 Agenda is based on the concept of *global partnership* (European Commission, 2015).

The role and importance of the innovation as an essential component of the impact on growth and sustainable development are also stated in the preceding strategies of European Commission. The approach of EU 2020 Agenda for growth is identified through three complementary objectives of "smart, sustainable, and inclusive growth" built upon seven flagship initiatives. A number of these flagship initiatives with a focus on resource efficiency (Resource Efficient Europe, Innovation Union) and industrial policy (An industrial policy for the globalization era) have potential relevance to the innovation topic (European Commission, 2010).

Smart growth involves finding new ways of solving old problems, and implies tapping in to resources of creativity that exist in the workforce and in the population at large. *Creativity* is seen

as a key resource in the new economy, underpinning the more specific concept of the *creative economy*, a dynamic sector of the macroeconomycentred on the creative industries.The concept of the creative economy covers a wide range of industries where creativity is an important input. In its broadest interpretation, the term creative industries covers a wide range of industries including those relying on scientific and technical creativity such as software and industrial design.

One way of fostering smart growth is to encourage the development of the creative economy.The targets of the Europe 2030 initiative innovation union include: *strengthen the knowledge base by promoting the education and skills development*; get good ideas to market by creating better access to finance for enterprises and creating a single innovation market; increase social and territorial cohesion.

## 4. Conclusions

From the examination of the arguments by literature and by comparing them with the general content of the 2030 European agenda for development we can distinguish some convergence for innovative thinking role and its involvement in the context of sustainable growth. Concepts through which this convergence is evidenced are: creativity, creative economy,global partnership, green growth, global partnership, shared responsibility.In each of them innovation as a synonymous of innovative thinking expressed in the form of creativity, technological developments or technological innovation, or new knowledge or arisen as a result of the strengthening of knowledge or skills translated into new products or services, appears as a very important catalyst for generating sustainable growth.

The following theoretical framework presents schematically this convergence and theinteractive relation of innovative thinking and sustainability, where each of them serves as a catalyst in a mutual relationship.

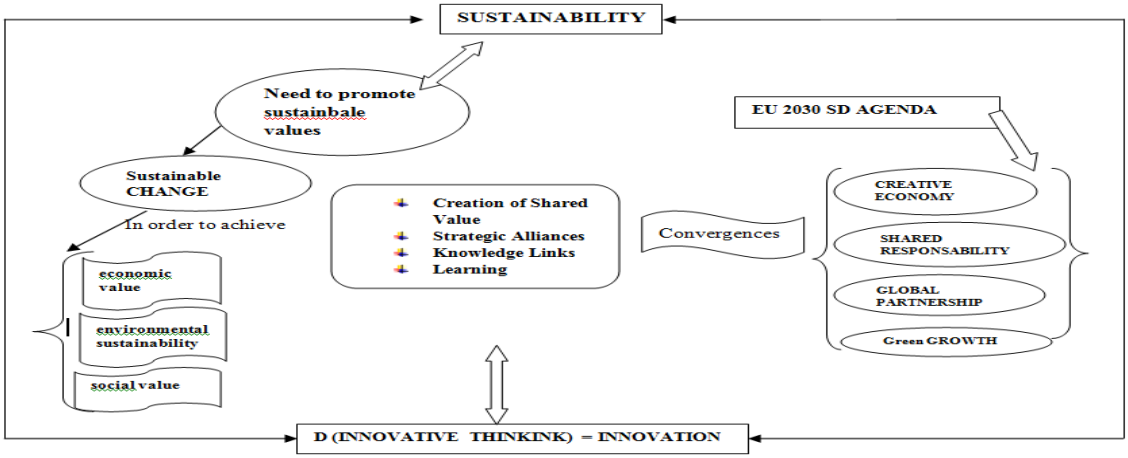


**Figure 4.** Theoritical Framework

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