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ROLE OF INNOVATION IN GLOBAL COMPETITION: HOW INNOVATION DRIVES COMPETITIVENESS IN THE GLOBAL MARKETPLACE

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Abstract*:* *Innovation plays an important role in driving competitiveness in the global marketplace. Innovation can help businesses and countries strengthen their economic position while at the same time overcoming global challenges. This conceptual paper explores the relationship between technological innovation and global competitiveness demonstrating how technological advancement can enhance organizational productivity, foster differentiation, and enable greater market agility. It also examines how new goods, services, and business models can affect a country's position in the global economy while highlighting their contributions to international trade and the creation of sustainable value. It provides a better understanding of how innovation shapes competitive advantages while also controlling economic growth and positioning countries as global economic leaders. To this end, it integrates insights from existing literature and conceptual frameworks.*

Keywords*:* *Innovation, Global competition, Economic growth.*

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Introduction

Modern businesses encounter increasing challenges and intensifying competition compared to the past. Many factors influence why today's enterprises find it difficult to compete. Among them are the advancement of technology, changes in consumer preferences, and the increase in online shopping. This adversity has made it difficult for businesses to compete in the global market because of the competitions and challenges that need to be overcome. Because of this, entrepreneurs need to find ways to compete and survive in the global market. One way for businesses to continue to compete in the market is through innovation, which involves producing a new product, idea, or way of thinking.

Innovation can take many forms such as developing a new product, enhancing operational processes, or discovering a more effective business model. Businesses that innovate can stand out from their competitors, offer something unique, and meet their customers' changing needs. Whether it is a tech company launching the latest gadget or a car manufacturer finding a way to make cars more eco-friendly, innovation helps companies grow and succeed.

Even though innovation is essential, how it helps companies compete globally is not always clear. For example, how do companies know which new ideas to focus on? How does innovation help a company grow internationally or stay successful over time?

This study explores these questions and tries to understand precisely how innovation helps businesses compete better in the global market. By looking at how companies use innovation to stay ahead, this research will help other enterprises determine how to be more competitive.

Problem Statement

In today's world, businesses worldwide are constantly competing with each other. They need to develop new ideas, products, or ways of doing things to stay ahead. This is what we call "innovation." Innovation is essential because it helps companies stand out in crowded markets and meet changing customer needs. However, even though innovation is crucial, how it helps a company succeed in the global market is not always clear. The question is: How do new ideas and creative solutions give businesses a competitive advantage over others?

Malaysia is at a critical stage where it has the potential to become a developed country with innovation and new ideas, and yet many challenges need to be faced (Abdullah, 2024). Moreover, Malaysia has significant problems preventing innovation, such as insufficient funding, slow adoption, and a lack of effective commercialization strategies (Abdullah, 2024). Therefore, the Malaysian government needs to curb these problems to ensure that the country's economy is always in a growing and stable state. Nalla (2024) emphasizes that Malaysia must shift gears to become an innovation hub.

In today's era of technological progress, a country must always keep abreast with current technological developments to ensure that it does not lag behind other countries. Technology introduces new obstacles and will continue to shape economic development, offering fresh prospects to individuals and businesses (Calimanu, 2024).

During the Covid-19 pandemic, many businesses were affected as the global economy faced significant disruption. These obstacles have encouraged people to find new solutions to overcome the problem. COVID-19 has spurred numerous technological innovations and products, creating new business opportunities (Liu et al., 2022).

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This study explores how innovation can help businesses grow, improve performance, and succeed in the fast-moving global marketplace.

Research Objectives
Research Objective 1:
To determine the relationship between technological innovation and competitiveness in the global marketplace
Research Objective 2:
To determine the relationship between innovation of products, services and business models and competitiveness in the global marketplace.

Research Questions
Research Question 1:
Is there any significant relationship between technological innovation and competitiveness in the global marketplace?
Research Question 2:
Is there any significant relationship between innovation of the product, services and business models and competitiveness in the global marketplace?

Literature Review

Definition of Innovation

Innovation means the process of introducing new ideas, products, methods, services that bring improvement and advancement to a certain organization (IMD Business School, 2024). *What is innovation?* (2022) explains that innovation involves creating new value through solutions that meet new or existing needs. Innovation often leads business to involve transforming creative ideas and solving a business problem that will lead to business growth (IMD Business School, 2024). Han and Goetz (2024) found that both urban and rural firms in U.S. engaged in innovation activities are more likely to expand to international market.

According to Dereli (2015), it is important to distinguish the difference between innovation and invention. Invention is seen expressed as the creation of a new idea about a new product or new process, while innovation is the way to carry out this new idea into practice (Dereli 2015). According to Fernàndez (2023), innovation is a cornerstone of growth and sustenance of an organization to allow it to counter marketplace fluctuations and long term growth.

Innovation plays an important role in ensuring that businesses continue to compete in the global market. Businesses must always keep abreast with current technological developments and the latest trends in the market to identify what needs to be improved and meet the needs of consumers. When businesses are aware of technological developments and current trends, they will be better prepared to produce new innovations in the industry. Dziallas and Blind (2018) provide a comprehensive review of innovation indicators across different stages of the innovation process.

Technological Innovation Impact on Competitiveness in the Global Marketplace

Increase Productivity and Efficiency

Technological developments can have a positive impact on businesses because with the availability of new technology, businesses can increase production productivity more efficiently.

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ActivTrak (n.d.) states that if an organization introduces new technology in the company, it will be able to increase employee productivity, minimize errors, speed up timelines and reduce employee stress. Examples of technological developments that have had a positive impact on humans are automation and time saving tools. These time-saving tools and automation can save employees' time completing their tasks and lighten their burden (ActivTrak, n.d.).

Market Expansion and Global Reach

With the development of technology, a type of platform has emerged namely an e-commerce platform which can help businesses market their products and services globally by venturing into new markets around the world. E-commerce platforms have provided opportunities for businesses to grow and flourish as well as boost a country's economy (Hendrie & Mwapwele, 2024). Moreover, this online platform provides tools for marketing, online transactions, delivery and expands the business to a larger scale. Hendrie & Mwapwele (2024) state that the economic development of a country hinges on the advantages provided by e-commerce platforms.

Innovation in New Product and Services

Technological developments are often associated with the innovation of new products and services in a business. Advanced technology will be able to help entrepreneurs produce a variety of new products and services and improve existing products and services. According to Nishandar (2024), this technology will greatly help businesses in terms of improving teamwork with each other, managing security issues, and changing client needs.

Impact of New Innovation in Products, Service and Business Model on A Nation's Global Economic Positioning.

Economic Growth and diversification

The production of a new product or service will produce many new businesses and boost a country's economy. It will create a new industry and sector that eventually lead to the growth
of the country's economy. Globalization is the main factor in innovation being realized in a 5
country. With globalization, many new technologies from other countries can be brought into the country thus improving the country's economy *(How Open Innovation Can Promote Sustainable Economic Growth,* 2024). Countries that capitalize on innovation will tend to see higher productivity and increase their domestic product (GDP) growth.

Global Trade and Competitiveness

Countries that have an advantage in promoting and producing new innovative products will be in a better position to compete in the global market. For example, Japan and South Korea dominate the world's largest automobile production because they have an advantage in terms of technology and expertise in producing technological products. According to Ciocanel and Pavelescu (2015), competitiveness involves a situation where a person, company, or nation wins or loses against another. Companies that have advantages in innovative technology can export intellectual property to other countries and generate lucrative profits while improving the country's economy.

Cultural and Social Impact

Innovating new products, services and new business models can increase a country's cultural exports and global appeal. For example, Korean K-pop culture has been successfully commercialized around the world and has exported many goods to other countries. According to Park (2023), Korean content (K-content) exports, which include K-pop, hit $12.45 billion as

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of 2021 with the help of the Korean wave. The direct economic effects of K-pop are best represented in three areas: 1) music sales and streaming platforms, 2) derivative industries, and 3) advertising and marketing (Park, 2023). This has proven that if a country is successful in promoting its national culture, it will be able to export many goods to other countries increasing its economy.

Theoretical Underpinnings of the Study

Schumpeter's Theory of Innovation and Creative Destruction

Schumpeter's idea of "creative destruction" has shown that new ideas and technologies will continue to replace old technologies and this is how the economy grows and progresses (Carnegie Mellon University, n.d.). For example, electric cars have now replaced petrol-powered cars. This will also increase the overall progress of an organization. Regulators or people who make rules in the industry need to understand that every change and improvement in the industry is normal and necessary for everyone. They are responsible for ensuring that all these improvements run smoothly without any obstacles and resistance.

One of the biggest challenges for regulators is deciding whether to continue using old technologies or switch to new ones. If they overly protect older technologies like coal power plants, they might lose out on better options like solar and wind from becoming energy sources. But if they prioritize new technologies, they might face the possibility of wasting money on something that doesn't work out in the long run and prevent better technologies from coming along (Carnegie Mellon University, n.d.). Therefore, they need to balance the use of new and old technologies to ensure that innovation happens naturally.

The Staged Competition Innovation Theory

The staged competition innovation theory explains how organized competitions can help an industry produce new ideas and creative technologies in the market. People will have the freedom to think outside the box and produce bolder new ideas when the competition is separated from the usual industry rules (Jensen, 2021). This competition will create a flexible and fast-paced environment where businesses will be able to adapt to the latest changes and can allow them to solve specific problems through innovation (Jensen, 2021).

This theory also highlights the value of pressure and collaboration in driving innovation in an industry. When people feel they must do better than others, they will push their creativity to the maximum level and can produce great ideas. Clear rules and focused goals will help businesses to create relevant solutions. Competition allows businesses to share their ideas and progress in the industry with other businesses. In this manner, staged competitions can create a cycle of innovation that will keep the industry constantly evolving. Thus, it will also have a significant impact on business competition in the global marketplace.

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Proposed Conceptual Framework

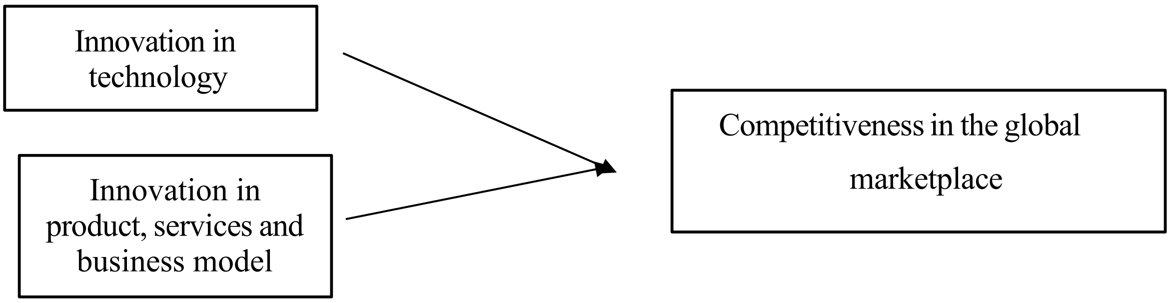

Figure 1: Proposed Conceptual Framework of How Innovation Drives Competitiveness in the Global Marketplace.

The hypotheses for this study can be derived as follows:
H1: There is a significant relationship between innovation in technology and competitiveness in the global marketplace.
H2: There is a significant relationship between innovation in products, services, and business models and competitiveness in the global marketplace.

Discussion

This study is conducted to examine the importance of innovation in maintaining business competitiveness in the global market. It identifies the relationship between technological innovation and global competitiveness, as well as how innovative products, services and business models can impact a country's economic position.

Technological Innovation and Competitiveness

This research demonstrates that technological innovation can help increase productivity, efficiency, and business expansion in the global market. With advances in technology such as automation and e-commerce platforms, businesses can further develop and expand their businesses on a global level. With innovation, businesses will be able to stand out in a highly competitive market by being able to offer a variety of new product innovations that will be able to solve demand problems at the right time. For example, e-commerce platforms not only help businesses provide marketing and logistics tools, but can also expand businesses to a wider market.

Economic Impact of Innovation

Innovation in new products and services can have a huge impact on the national economy. The availability of new products and services will provide many job opportunities and improve the standard of living of the people of a country. This will benefit the country because with the availability of new and advanced industries, the country's GDP will increase and subsequently develop the national economy.

Social and Cultural Dynamics

This study also shows how innovation can help a country exports its culture abroad and introduce its products to other countries. For example, South Korea has successfully promoted its K-pop culture which originated in its country and promoted to the whole world. This has reinforced the notion that innovation is not only limited to technological development but also helps to promote a country's culture at the global level.

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This study also indicates several challenges that need to be overcome in implementing innovations, especially in a developing country like Malaysia. Challenges such as insufficient funding, slow adoption, and lack of commercialization strategies to attract more foreign investors to come into the country have become major problems in fully utilizing innovation. This needs to be taken seriously to ensure the country's economic progress.

Conclusion

This research has reinforced the importance of innovation as a key driver of business competitiveness in the global market and the economic position of a country. It shows that technological advancements and new business models are not only tools for furthering business but are also essential to national growth. Countries and businesses that prioritize innovation will be in a good position to thrive in the global market while maintaining strong resilience to compete with other businesses.

To optimally leverage innovation, governments and businesses need to play a key role in addressing issues such as funding gaps and ineffective commercialization strategies. By addressing these issues, countries like Malaysia will be able to become advanced while fostering sustainable economic organizations and increasing competitiveness in the global market. This study serves as a guide and paves the way for businesses and policymakers to embrace innovation as a fundamental means or strategy to succeed in an increasingly competitive world.

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