

Entrepreneurship and Innovation

Entrepreneurship and Innovation:

*Theory and Practice for Business
Leaders in a Dynamic World*

By

Lampros Vasileiadis

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Theory and Practice for Business Leaders in a Dynamic World

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DEDICATION

*To all those who have the passion to study, explore and innovate
in a rapidly changing global environment!*

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My warm thanks to my colleagues at the university, whose help in various stages of writing this book, inspired me and contributed to its further development.

This book owes a lot to the daily interaction and contact with our students in the context of various academic educational programs lasting about 20 years.

PROLOGUE

The development of a modern firm, in an era of consecutive global crises, seems to depend more and more decisively on effective decision-making by firm's strategists. Following the global financial crisis of 2008, the global economy went through intense phases of turbulence, volatility and uncertainty.

The prevalence of economic recession conditions, especially in the major economies, resulted a significant reduction in imports and exports and, ultimately, in international trade flows, because of a dramatic reduction in the demand.

Successive global crises, Covid-19 pandemic and geopolitical tensions, such as, among others, the spread of the pandemic, the recent wars in Ukraine and in Gaza Strip, in addition with serious accidents, such as *Evergreen's* case that blocked the smooth operation of the critical Suez Canal for shipping, create financial crises and serious disruptions in the global supply chain.

Furthermore, the global environment is characterized by instability, intense fluctuations and uncertainties because of a number of complex geostrategic games (*such as trade pressures and the import-export war between USA and China, USA and Russia, Europe and Russia*) but also with new strong economies in the foreground, with large population numbers (*such as China, India, Turkey etc.*). Combined with the above, the various conflicts, disruptions and constraints in the supply chain have led to a sharp rise in the cost of daily living, in raw materials, basic food products, energy resources and services. The level of inflation (changes in the consumer price index) in many economies soared, even in strong economies (*such as France, Germany, Britain, USA, etc.*). As a consequence, consumers reduce their purchases, with negative effects for import-export and international shipping flows.

At the same time, the climate crisis and its consequences for the planet must be at the center of entrepreneurs, governments and intergovernmental organizations, such as *UN, UNCTAD, IMO*, etc. There is a crucial change for firms and consumers towards a '*green environment*' through practices that limit the environmental footprint. Also, there is a new generation technological tools and applications, which are connected to automation, technical intelligence (*TECHINT*), Artificial Intelligence (*AI*), machine learning and predictive algorithms (*forecasting algorithms*) that support the timely decision-making. A firm can extensively utilize applications provided by access to the internet, as well as social media networks, to

support modern forms of marketing strategies, communicating corporate developments to all interested parties.

Summarizing the most important recent global crises of the last five years, and after the instability and uncertainty caused by the international financial crisis of 2008 and the intense upheaval in most business sectors, a series of dramatic events with political and institutional consequences as well as significant consequences for firms took place:

- ***Covid-19 pandemic:*** during the period 2019-2021, the deadly pandemic broke out, with significant loss of human lives. In the meantime, however, the pandemic put many firms out of business and dramatically disrupted the entire supply chain, creating new habits and ethical approaches in people's lives worldwide (*business, communication, work, education, health, etc.*).
- ***War in Ukraine:*** as the pandemic gradually came under control, geopolitical conflicts erupted on the European continent. On February 24, 2022, war broke out in *Ukraine*. The worst thing is that, even at this stage, more than two years later, the conflict between the two countries, *Russia* and *Ukraine*, continues unabated, with uncertain geostrategic consequences. International business was again significantly disrupted as critical ports and sea lanes for international transport were suddenly cut off. Rising commodity prices and inflationary pressures: as *Russia* and *Ukraine* are leading economies in the production of important raw materials, food (*such as grain*), industrial goods and energy products (*such as oil and gas*), the ongoing conflict maintains negative commodity and raw material prices, leading to inflation in most economies, reducing consumer incomes and creating recessionary conditions.
- ***War in Gaza Strip:*** at this stage, there is a ceasefire between *Israel* and *Hamas* in the Palestinian territories. The consequences of the war until a few days ago have not yet been assessed, but they certainly pose a long-term threat to peace in the wider Middle East region, whose countries are important producers of energy products.

Under these circumstances, *entrepreneurs* operate within an environment of high uncertainty. Concepts such as adaptation to new roles, flexibility, readiness, collaboration and innovation, seem to dominate modern firms, leading them to new practices.

The 3 Sections of the book have been designed as follows:

- Section 1: **Understanding Entrepreneurship:** Includes two chapters, which introduce business in terms of current reality and historical review of theories and practices:
 “1. *Introduction to Entrepreneurship*”, and
 “2. *Modern Business Environment: Identifying Opportunities & Threats*”.
- Section 2: **Business Strategy:** Includes two chapters, which set the framework for strategy formulation of today's reality:
 “3. *Developing strategies*”, and
 “4. *Internationalization of business*”.
- Section 3: **Innovation:**
 “5. *Managing Innovation*”.

SUMMARY BASED ON THE LEARNING MODEL

This book has been structured in order to achieve the following:

1. Encouraging to engage in *critical thinking* and active learning.
2. Informing the ways of applying *business practices* in current situations.
3. Guiding in self-assessment issues for personal *business development*.

WAY OF LEARNING

Tables, figures, images and graphs are extensively listed. Also, colored frameworks are developed throughout the chapters, highlighting the chapters' most important issues (conclusions, key concepts, definitions and procedures) are introduced, in order to strengthen understanding of the issue being developed. Keywords and study questions close each chapter, leading to a critical thinking process (according to the ancient philosopher Socrates, “*the process of acquiring real knowledge goes through specific stages: study, questioning, judgment, decision*”).

I wish you a pleasant study strengthening your critical skills!

BOOK'S BROWSING

Chapter Contents and Study Questions

At the beginning of each chapter of the book, the issues included and analyzed in the specific chapter are presented, as well as its Main Educational Objectives (M.E.O.), as the following sample:

SAMPLE:

MAIN EDUCATIONAL OBJECTIVES (MEO)

After investigating and studying this chapter, you will be able to:

MEO 1 Understand the concept of entrepreneurship.

MEO 2 Understand in depth the forms of innovation.

MEO 3 Deepen the process of innovation management.

CHAPTER CONTENTS

Zoom: Focusing on innovative business

1.1 Introduction

1.2 Modern firm's Functions

1.3 Entrepreneurship

1.3.1 From the past to the present

1.4 Forms of entrepreneurship

1.5 Main characteristics of successful business

1.5.1 Entrepreneur's Profile:

1.6 Electronic & digital business

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1.10 Corporate Social Responsibility

1.10.1 From the past to the present

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1.10.6 Multinational companies
in CSR actions

Summary based on the

Learning model

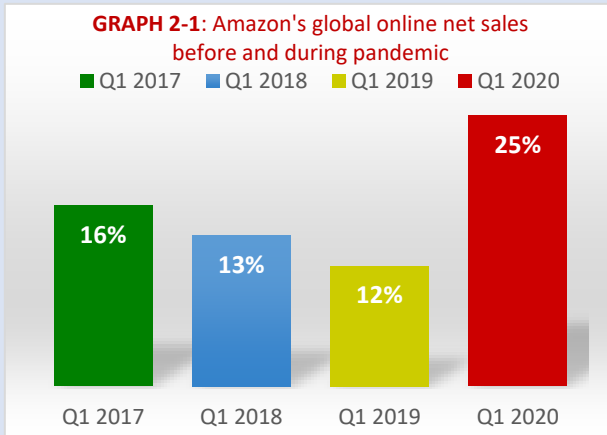
Keywords

Study questions

 Utilizing "opportunities" of the Macro-Environment at ideal timing:

Amazon's profits during pandemic

Amazon by revenue is the most profitable and largest online company in the world, selling all kinds of products. Founded on 5/7/2005 by Jeff Bezos (one of the richest entrepreneurs on the planet), who retired as CEO of the company exactly 27 years after its founding, on 5/7/2021¹. Amazon's success is due to the "differentiated" service it offers to consumers (B2C) and to other companies (B2B). An outstanding innovation introduced by Amazon for its customers was to be the function of offering a variety of products to customers based on "matching" their purchases & searches. Also, the addition of "ratings" from customers for the products seems to have "launched" the company by building a "community" of customers, which attracted and continues to attract in the form of "traffic" new customers. Pandemic seems to have worked as an excellent opportunity to increase profits for some (mostly "electronic") businesses around the world, including Amazon. *1-Click ordering* throughout the lockdown appears to have propelled the company to absolute dominance in the online shopping industry as total e-commerce sales & revenues nearly doubled between 2020 and 2022.



¹ Clayton, J. (2021), *Jeff Bezos steps down as Amazon boss*, <https://www.bbc.com/news/technology-57704479>

McFadden, C. (2019), *A Very Brief History of Amazon: the Everything Store*, <https://interestingengineering.com/a-very-brief-history-of-amazon-the-everything-store>.

With the vast majority of earth's population (~7.6 billion people) remaining at "social distance" because of consecutive lockdowns, *Amazon* developed critical competitive advantages through opportunities from its Macro-environment, mainly the "Social" and "Political" Environment (pandemic lockdowns and governmental measures for social distancing by the vast majority of governments around the world), as well as the "Technological" Environment (huge increasing of online sales, especially during the harsh lockdowns).

Company geometrically increased its profits mainly because of the fact that consumers were forced to online purchases from home.

In order to meet challenges (rapid increase in demand), the company hired several thousand new employees, spending \$4 billion to be prepared for e-commerce booming, tightening the relations with its employees, which at times were shaken, with a special "thank you bonus" of more than \$500 million⁴.

Food for Thought

The social, political & technological environment seem to have been forces of Amazon's Macro-Environment, which were analyzed and ideally exploited by the company. By studying this chapter, investigate and suggest which "forces" could give Amazon further competitive advantages, under the current conditions of global crises (war conflicts in Ukraine and the Gaza Strip), by experts' approaches (military and economic analysts) regarding the duration and severity of the crises. The above issues could be investigated in the light of new generation technological tools and applications, i.e. Artificial Intelligence/AI, forecasting algorithms supporting the decision-making, as well as social networks media booming that supports modern forms of marketing strategies.

Figures, Tables, Graphs & Images

In each chapter of the book, figures, tables, and diagrams are presented, which clarify the basic concepts, as well as selected images in addition, in order to demonstrate management in practice, as follows (example):

Case Studies

Within each chapter of the book, Case Studies of famous companies are presented, mostly, which deal with issues covered and analyzed in the specific chapter, demonstrating how management works in modern business reality, as follows (example):



<https://entrepreneurmag.com/news>

At the beginning of 2020, Microsoft presented its environmental strategy, which typically states that "its main goal is to oppose the use of carbon by 2030. In addition, this strategy seeks to offset emissions of pollutants from its factories until 2050". It recently entered into an agreement with the Vatican regarding the "ethics" of its work in areas of artificial intelligence.



βλ. www.starbucks.com

Starbucks was founded in the 1970s and appears to be particularly sensitive to CSR, as it has committed to providing 1 million coffee trees to small- and medium- sized farmers/producers as a partner in "Viable Coffee Challenge". In addition, it plans to hire 10,000 refugees in 75 countries over the next five years and 25,000 war veterans by 2025.

Study Questions

At the end of each chapter of the book, Study Questions are highlighted, which deal with issues covered and analyzed in the specific chapter, with the aim of repetition as well as, above all, strengthening critical thinking, as follows (example).

STUDY QUESTIONS

1. *What Micro-Environmental forces and in what way do you think they most affected Amazon's profits during lockdowns (3/2020-3/2021)?*
2. *What are the advantages and disadvantages of the approach taken by Amazon during the pandemic?*
3. *What forces does Porter's Five Forces Framework analyze?*
4. *What does SWOT Analysis deal with?*
5. *What is Benchmarking?*
6. *What other benchmarking actions could Xerox's adopt?*
7. *What is Outsourcing?*

SUPPORT MATERIAL

Digital sources

After demanding are digitally available additional published article material, business cases, etc.

SECTION 1:
UNDERSTANDING ENTREPRENEURSHIP

CHAPTER 1: INTRODUCTION TO ENTREPRENEURSHIP

MAIN EDUCATIONAL OBJECTIVES (MEO)

After studying this chapter, you will be able to:

MEO 1 Understand how modern firms operate in a changing environment.

MEO 2 Deepen on Business Ethics' role.

MEO 3 Deepen on Corporate Social Responsibility (CSR).

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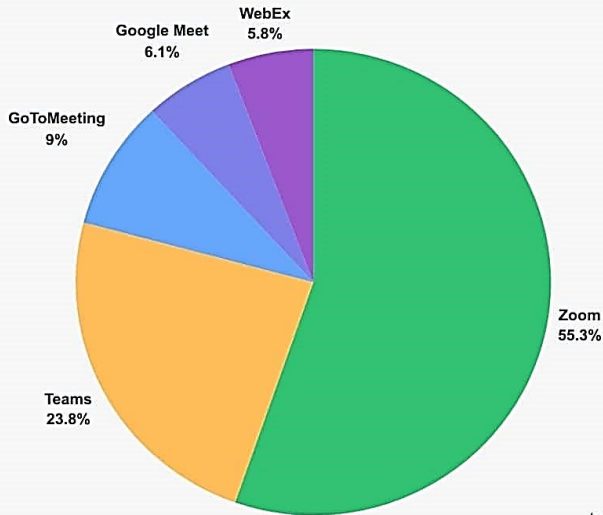


Focusing on modern business

Increasing its profits during the Covid-19 pandemic

Zoom is one of the most profitable online video conferencing companies.

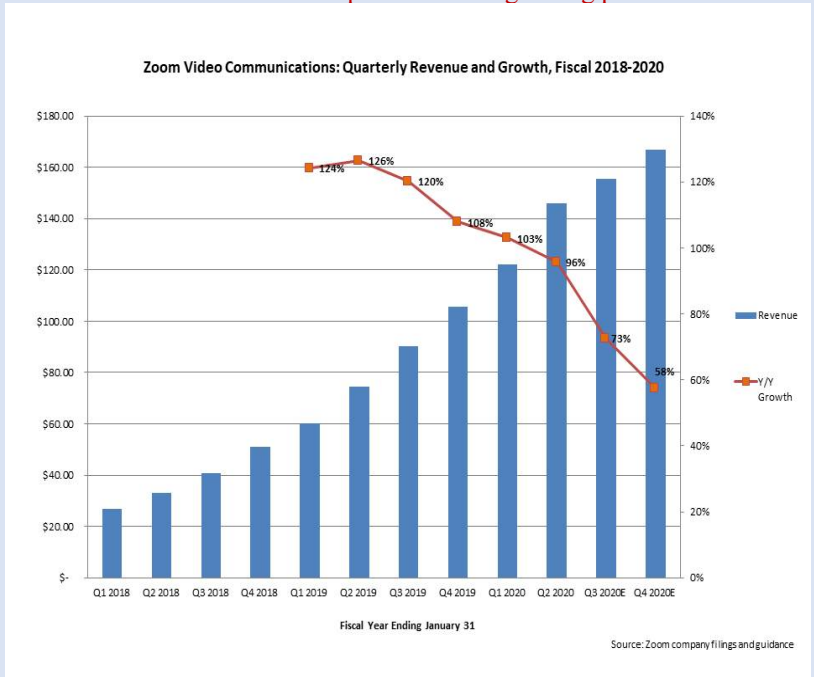
VIDEO CONFERENCING SOFTWARE MARKET SHARE 2023



According to a number of analysts, *Zoom's* success seems to be mainly because of a number of service innovations offering to consumers (*B2C*) and firms/businesses (*B2B*). According to "*Business Insider*"¹, the application was rated as the top choice for *iPhone* and *Android* devices. The pandemic seems to have acted as an opportunity to increase profits for a multitude of firms (*mostly "electronic" firms*) around the globe including *Zoom*. Every "click" to connect throughout the successive lockdowns decided by the governments of most of the countries worldwide, seems to have led the company to almost absolute dominance in the industry of online video conference companies, almost doubling its total sales mainly during 2020 (first year of successive lockdowns worldwide) compared to the 2019 (*Chart I-1*). Although in several cases the company was accused of serious security flaws in its application, its founder, *Eric Yuan*, with a net worth of \$5.5 billion, was listed for the first time in the list of the richest people in the world (*April 2020*) in "*Forbes*" (*famous American financial magazine*).

In response to growing criticism of its service at the time, *Zoom* announced a series of security and privacy moves. One of the most important of these moves was the decision to suspend all its previously new functions during the pandemic, shifting its resources to this end (*security and privacy issues*). Similar decisions seem to have been taken by its important competitors, including "*Microsoft*" and "*Google*".

CHART 1-1: Zoom's profits booming during pandemic



Zoom's video conferencing capabilities were up to 40' free for everyone, with the specific 40' limit not seeming to act as a brake on the vast majority of users from trying to test this service and following *Eric Yuan's* decision (*March 2020*) to remove the 40' limit on free accounts in tens of thousands of schools in the USA as well as in other countries worldwide where the service was used and the company was active. *Zoom's* roots seem to be in the "*freemium*" service mainly due to its simplicity of use, essentially leading it to acquire a huge and loyal customer base (*business loyalty*) mainly among small- and medium- sized firms, with particular penetration in sectors such as education, healthcare as well as user groups in large organizations. It seems that increasingly, and mainly due to the special remote conditions that the planet is experiencing, decision makers, CEOs

and top managers in large companies are investing more and more in an integrated business communications portfolio aiming at the smallest possible number of spare parts - more and more IT buyers seem to be looking for a single solution in order to meet their communication needs (*telephony, collaboration, etc.*). A company's entire venture is being characterized as a challenge of enormous proportions that *Zoom* faces when competing at such a high level with tech giants like *Cisco* and *Microsoft*. The image of *Zoom* as a powerful competitor-player in this market, according to some analysts, is confirmed mainly by the fact that *Google* asked its employees to stop using the *Zoom* platform on the company's work computers. As of July 31, 2020, *Zoom* reported that it had approximately 66,300 business customers (*over 10 employees*), of which 466 (or less than 1%) spent \$100,000 or more during the previous months of the reporting year (*1st semester of 2020*). This particular group of customers actually contributed to 30% of the company's revenue. With a rapidly expanding feature set and wider geographic availability, "*ZoomPhone*" is now listed as a legitimate "*UCaaS*" (*Unified Communications as a Service*). In conjunction with the company's evolving strategy for further development of "meeting room devices", the "*ZoomPhone*" is characterized as the new main axis of the company's development strategy for 2020. According to *Eric Yuan* (*company's founder & CEO*), the central philosophy on which *Zoom's* management model is structured mainly focuses on "*putting the building blocks together piece by piece in order to form a coherent whole, trying to prove that it is the whole that it counts, and not the pieces*".

Food for thought:

According to a number of business analysts, it seems that the acquisition of specific competitive advantages by the company in the year 2020 was mainly due to two key elements that govern *Zoom's* management philosophy among others. Studying this chapter, we explore as well as suggest possible other alternatives to companies' strategy planning, which could push *Zoom* to recreate or maintain certain competitive advantages after the pandemic, under the current conditions of global crises (war conflicts in Ukraine and the Gaza Strip), by experts' approaches (military and economic analysts) regarding the duration and severity of the crises. The above issues could be investigated in the light of new generation technological tools and applications, i.e., Artificial Intelligence/AI, forecasting algorithms supporting the decision-making, as well as social networks media booming that supports modern forms of marketing strategies.

¹ <https://www.businessinsider.com/meet-zoom-billionaire-eric-yuan-career-net-worth-life>

1.1 Introduction

In the introductory case study, we identified two key elements that characterize Zoom's management philosophy, creating competitive advantages during the first year of pandemic lockdowns worldwide (2020):

- “*Guiding from customers*”, element which is in the firm’s DNA, and
- “*Creating products, processes and services that will sell*”.

Following the introductory case study, this chapter analyzes the basic principles, concepts, forms and types *of entrepreneurship* through a wide overview of recent international bibliography about the theories and models in order to deepen in modern business practices into a rapidly changing global environment. Especially in the last two decades, the conditions in which modern firms operate have changed almost completely mainly due to the *digital revolution* and the successive *global crises* (global financial crisis of 2007-2008, pandemic, war conflicts worldwide). The main challenge for modern firms involves a two-fold approach. Either to achieve:

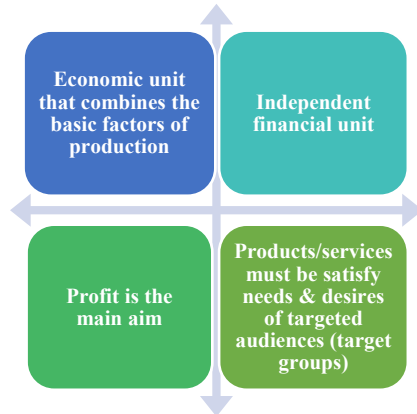
1. *Survive* until the crisis passes (by few losses), or ideally
2. *Seize opportunities* that usually arise during the crises.

1.2 Modern Firm’s Functions

The concept of firm/company from an economic point of view concerns the “*independent economic/production unit which combines and utilizes the factors of production, in order to produce and make available to the consumer public goods, thus achieving the creation of value*” (Georgakopoulos et al., 2002)¹.

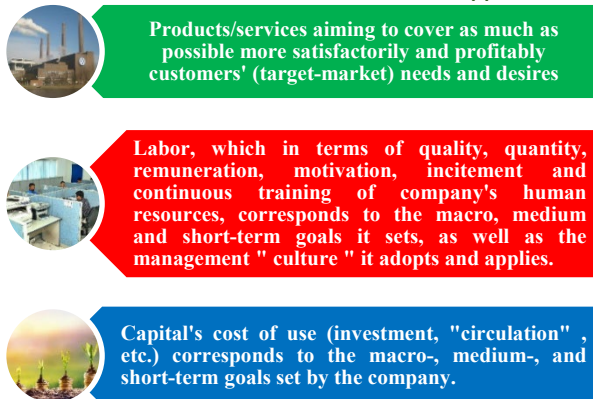
The main characteristics of a firm/company as an entity:

- It is an *economic unit*, which combines and utilizes the basic factors of production (labor, land, capital) in order to create wealth. Taking risks at all stages of production/service that benefit its target-market could create income for the firm, as well as possibly losses.
- This economic unit must be *autonomous* in order to be exploited, i.e., to be transferred to third parties without the simultaneous transfer of the relevant rights (e.g., its trademark) being required, unless something else has been agreed.
- Its aim must be *profit* – i.e. the difference between its income and costs must be positive. This aim differentiates firms from non-profit organizations, charity organizations, etc.
- In order to gain the desired profit, firm’s *products/services* must be satisfy needs and desires of its targeted audiences (target groups).

FIGURE 1-1: Firm's main characteristics

In an economic approach, a firm operates:

- **Macro-economically**, as a producer/servicer of products/services and wealth, playing a leading role in national income of each country. In a **Macro-theoretical** conceptual approach, the wealth that creates a firm constitutes the so-called “*Net Value Added (NVA) resulting from its operation*”.
- **Micro-economically**, aims to maximize its outputs to the target-market. A **Micro-theoretical** approach of the firm is briefly analyzed in the following figure:

FIGURE 1-2: Firm's Micro-theoretical approach

Firm's Operations & Production Factors

The **operations** of a firm/company are those processes that lead it to achieve the goals it have set and they are divided to **main** and **secondary**: Main functions determine the outcome of its activity, while the secondary ones support main functions.

- **Main** functions are distinguished in the following parts functions:
 - a) Productive, b) commercial, & c) economic.
- **Secondary** functions are divided to the following s:
 - a) Public relations, b) procurement, c) research & development, & d) information.

Production factors (combined in a production process in order to create other goods and services):

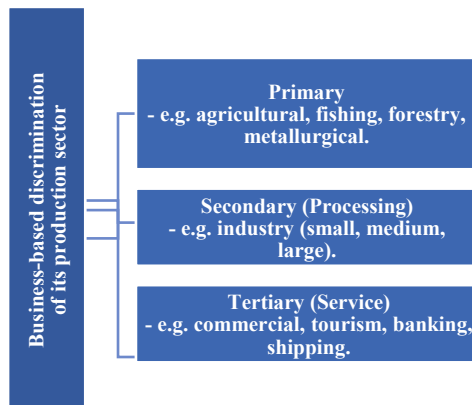
1. **Land**
2. **Labour**
3. **Capital**
4. **Entrepreneurship.**

Discrimination of firms in terms of:

Production sector

The total economic activities of a national economy are carried out by the individual economic units (production or consumption), which by combining the factors of production they have produce a specific project. These productive economic units, based on specific common characteristics, are classified into economic sectors. Below are listed schematically the main forms of the business based on its **production sector**.

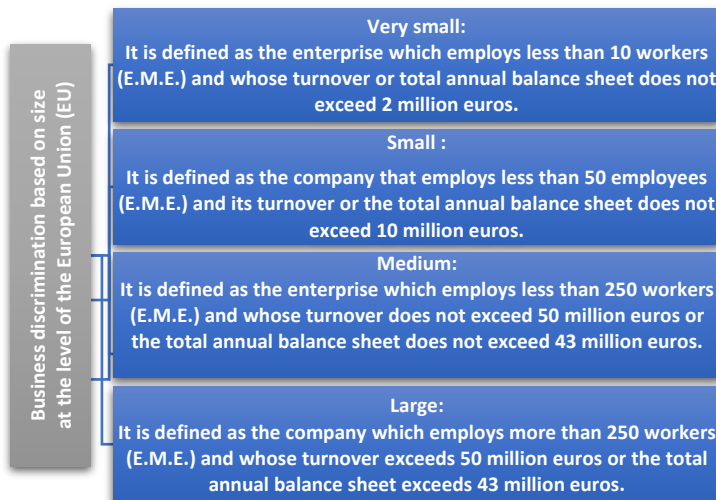
FIGURE 1-3: Business distinctions based on its production sector



The size

The definition of the criteria of very small, small, medium and large enterprises has been determined based on the number of staff (*employees*), the amount of turnover and the amount of the annual balance sheet of an enterprise, criteria on which the corresponding determination of the size of businesses in all the countries of the world is based, with the particularities they present each time (*population criteria, etc.*). The exact sizes of the criteria listed below - e.g. for the 27 member states of the European Union (*EU*) - are not considered as standards and a measure of comparison for all the countries of the world – e.g. in China or India, about 1.4 billion people, it seems logical that the number of employees criteria (minimum/maximum) is much higher compared to countries with a smaller population (*e.g. EU of 446 million people, USA of 331 million people, etc.*). Another important factor differentiating from the usual criteria is the **way** a firm operates. As a typical example of this criterion, the international literature mentions that electronic firms employ a small number of employees and usually make large turnovers (*e.g. famous and non-online companies, and especially during their first years of operation before becoming giants, such as “Facebook”, “Amazon”, etc.*), a phenomenon that is increasingly frequent now especially during the last two decades of the "digital revolution".

FIGURE 1-4: Discrimination of a firm based on size



Source: *Article 2 of Directive 2003/361/EC, p.11*

The 1st criterion (employees) is considered mandatory. The 2nd criterion concerns either the firm's annual turnover, or its annual balance sheet. Article 5 of the Directive states that “*the number of employees of a company includes:*

- *Its employees.*
- *Employees that have been assigned to another business (including temporary employees).*
- *The entrepreneurs (owners of a company).*
- *The partners (with financial benefit) of a company.”*

In the European Union (EU) Small and Medium-sized Enterprises (SMEs) represent ~99% of firms providing ~70% of private sector jobs and contributing more than 50% of business' total value added in the EU (~23 million SMEs offer more than 100 million jobs and by sector more than 75% of all these positions in the 27 EU member states). SMEs dominate heavily in sectors such as trade, distribution, construction, brokerage, tourism and catering industry (hotels, restaurants, cafes, etc.).

On the contrary, large companies activate mainly in transport, communications and “heavy” industry. Heavy and large industrial products, which through a complex production process require heavy and large facilities and machinery – e.g. Steel production, Chemical production, Construction of large buildings and infrastructure, Locomotive manufacturing, Gas and Oil, Shipbuilding, Aerospace, Mining, Machine tool building, etc..

Heavy industry is considered as a sector of vital importance for the majority of countries globally – e.g.

America - A global giant aerospace manufacturer and defense contractor *Boeing* received millions of dollars in non-repayable federal grants and billions in federal loans and loan guarantees from the U.S. government between 2000 and 2014. Also *Bombardier*, a Canadian aerospace giant received billions of dollars in subsidies from the Canadian government attempting to help the company in order to develop its *CSeries* aircraft.

Asia - A large number of Asian countries are based to heavy industry mainly because of their strategic government policy. A crucial number of aluminum and steel industries act in East Asia mainly because of their wide variety of mineral resources in those regions – e.g. Japan and China are the two top steel producers worldwide. Also, South Korea and Japan are intensively act in defense and aerospace industry.