

THE PERCEPTION OF THE CULTURE OF INNOVATION IN BULGARIAN SMALL AND MEDIUM-SIZED ENTERPRISES AS A CONDITION FOR INCREASING COMPETITIVE PERFORMANCE

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Abstract: *For the successful existence of companies in the conditions of Industry 4.0, it is necessary to create and introduce innovations. The company's culture determines this is defined as a culture of innovation. The goal is to increase the competitiveness of the company. In this report, based on an empirical study among 300 small and medium-sized enterprises, we seek the relationship between corporate culture – competitiveness and related constructs.*

Keywords: *corporate culture, competitive performance, innovation, the culture of innovation, small and medium-sized enterprises (SME)*

Introduction

Small and medium-sized enterprises (SMEs) are predominant in Bulgaria. Improving their competitive performance is essential for the economic well-being of the country, as well as for maintaining their long-term competitive advantage. They experience more severe resource constraints than large companies but are more flexible and adaptable. In the context of innovation, other advantages of SMEs are the possibilities for quick decision-making and the facilitated implementation of internal communication processes [1].

Embracing the culture of innovation is a significant opportunity to increase their competitive performance. Research in this direction still needs to be improved and more cohesive [2]. This report will outline the opportunities and advantages for SMEs in adopting and managing a culture of innovation to enhance their competitive performance.

Literature review

Corporate culture and competitive performance

Corporate culture is considered the set of values, norms, and fundamental assumptions accepted and in unison with which the organization's members carry out their daily activities [3]. It represents the shared social knowledge that influences employee attitudes and behaviors through rules, values, and norms. An essential factor for the successful change of the corporate culture is the understanding of its importance for the overall successful development of the organization by the top management.

One of the most researched aspects of corporate culture is its impact on organizational competitiveness [4]; [5]; [6].



Kotter and Heskett [4] believe that cultural adaptability must be fostered to maintain long-term positive competitive performance.

Competitive performance is a multidimensional construct encompassing a company's growth, survival, success, and competitiveness. Companies' development and subsequent adoption of diverse strategies are also critical to their competitive performance, and different companies create various strategies to enhance their competitive advantages. Therefore, strategy is one of the essential elements for successful competitive performance [7].

Innovation

Innovation is an essential condition for the survival and successful development of organizations in the long term [8], as well as for the generation of competitive advantages for those who introduce and implement it [9]. Companies create and implement innovative products and services precisely to support their competitiveness.

Michael Porter [10] states, "...innovation is the only way to maintain a competitive advantage". The OECD's Oslo Manual [11] mentions that innovation does not necessarily have to be something completely new; it may be an improved product, a method of market competition or a process that favourably affects competitiveness.

Innovation, a unique source of competitive advantage, is defined as product, process, marketing, strategic and behavioural [12]. Innovation can be open and closed, incremental and radical.

The organization's choice of innovation strategy is influenced by internal and external factors related to the characteristics of the organizational entity and the business environment in which it operates [13].

Innovation requires openness and willingness to interact with the company's key stakeholders, which indicates the close relationship between innovation and corporate culture, also defined as innovation culture. Behavioural innovation is mainly found in adopting the culture of innovation, and innovation is also associated with knowledge management [14].

The ability of companies to generate knowledge during the innovation process can be identified as a critical source of competitive advantage [2].

Innovation is seen as the main factor for the implementation of change, and corporate culture is an essential condition for the existence and implementation of innovations in the company, i.e. corporate culture is at the heart of innovation [15]; [16]; [14]; [17].

In order to achieve a high level of innovation performance, organizations must maintain an appropriate environment - a behavioural and cultural context that supports innovation practices.

Culture of innovation

Various studies have been presented in the research literature confirming the positive relationship between corporate culture and company innovativeness [18]; [19]; [14] [17]. Corporate culture and overall organizational performance have a positive relationship with each other, and therefore innovation culture also becomes a condition for achieving competitive advantage.

The main elements of corporate culture influencing organizational innovation are the practices facilitating the socialization process of new employees and the values, norms and basic assumptions that guide the behavior of organizational members [20];

[21]. A culture supportive of innovation promotes the motivation and sustainability of the interactive process of exchanging knowledge, skills, and technologies necessary to realize successful innovations.

A corporate culture supporting innovation in the organization must be sensitive to understanding innovation as an integral part of continuous change. A prerequisite is that the innovation is embedded in the "invisible levels" of the culture - the basic assumptions and values. Organizational members' innovative behavior results from organizational norms supporting the exchange of information related to the changed approach to "doing things" in the organizational reality [22].

It is necessary for the culture of innovation to encourage the processes of creation and adoption of new ideas and to apply them inside and outside the organization. The presumption is the need to adapt to the ever-changing demands of the environment and the possibility of gaining a competitive advantage, which indicates the essential link between innovation and change. In accepted typologies of corporate culture – Cameron and Quinn (1999), Dennison et al. (2006), Welch (1983), et al. the tendency to realize innovations, as well as to search for cooperation, teamwork, and constructive interactions are set.

The culture of innovation can be defined as a perception, way of thinking and behaviour that creates, enriches and establishes values and attitudes in the organization. It helps the organization adopt and support ideas and changes necessary to improve the effectiveness and efficiency of all processes, which should differ from conventional assumptions and traditional organizational behaviour.

The culture of innovation has various definitions, some of which are presented by Clavier and colleagues [23]. One of these definitions defines the parameters for the successful functioning of the culture of innovation: the company's management is tolerant of risk-taking; all members of the organization to be involved in the innovation processes; creativity to be stimulated; responsibility to be shared.

The presumption in managing a culture of innovation in an organization is that it is difficult and practically impossible to create a specific typology of it because the determination of given parameters is not a sufficient condition for this. The generation and introduction of innovations are related to the organisation's business activity, size, management structure, and innovative capabilities. The most important thing about the perception and management of the culture of innovation is the discovery of specific characteristics that can support the perceptions and actions of the organization's members to implement innovations.

The advantages of innovative firms are that they are more flexible and adaptable to changes and show higher levels of competitiveness [24]. For the successful existence of the organization and the sustainability of its competitive advantage, it is necessary to adopt a culture of innovation. The positive influence of innovation culture on increasing competitive performance has been proven in previous research [25]; [26]; [27].

Methodology and empirical study

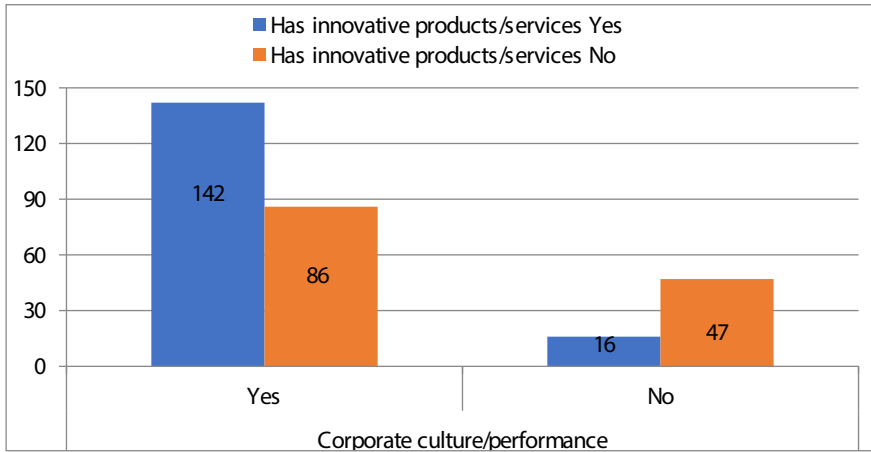
The sample is based on the number of companies implementing innovations in Bulgaria. Data is according to National Statistical Institute. The profile of the surveyed companies is as follows: the number of respondents - 300 companies, and the owners and managers of the companies were interviewed. The closed-question survey is pre-prepared by the author. The survey was conducted in the period March-April 2020. The size of the companies is determined according to the European classification. The micro enterprises (up to 10 people) - one hundred fifty-nine respondents, small (10-49 people) - ninety-two, medium (50-249) - thirty-two, and



large (over 250 employees) - five. The twelve respondents still need to answer which group the company belonged to. From the demographic profile, the respondents in the survey are mainly representatives of small and medium enterprises. By field of activity: twenty-three of the respondents in the survey are employed in trade, sixty-seven companies in manufacturing, ninety are in the services sector, the fifties in the light and processing industries, fourteen in mechanical engineering, seven are in energy, seven in science and education - nine. Twenty-seven of the participants in the survey represented the IT sector. Fourteen of the respondents are engaged in construction, design, and engineering. Thirty-four have applied for other economic activity. In the Bulgarian business reality context, micro and small companies predominate.

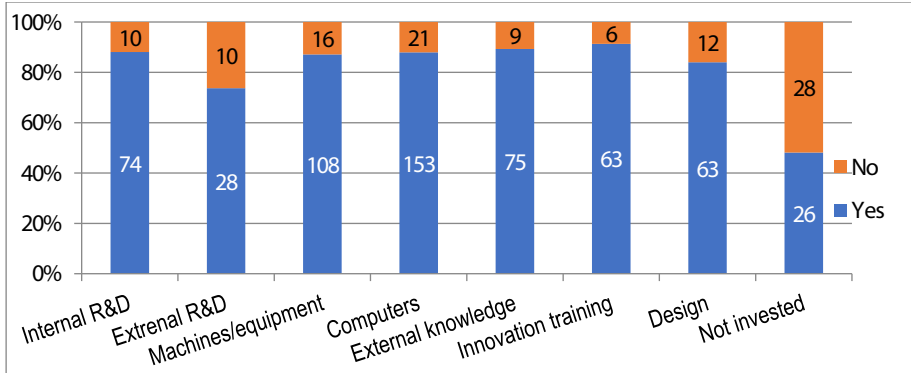
Through the presented results, we visualize the relationship understanding of the positive influence of corporate culture on competitive performance, innovative goods and services produced and offered, investments in tangible and intangible resources and applied competition strategies.

Fig.1.Has inovative products and services? / Corporate culture-performance



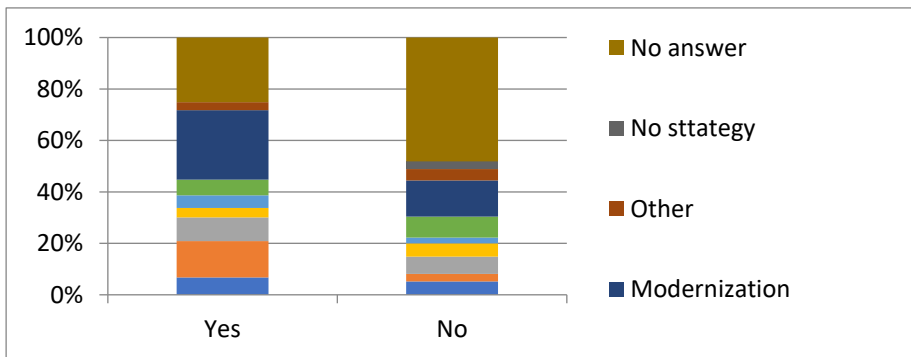
Respondents who create and offer innovative products and services are more likely to support understanding the positive impact of corporate culture on the competitive performance of the organization they work.

Fig.2. In the last three years, has your company invested in:/Corporate culture-competitive performance.



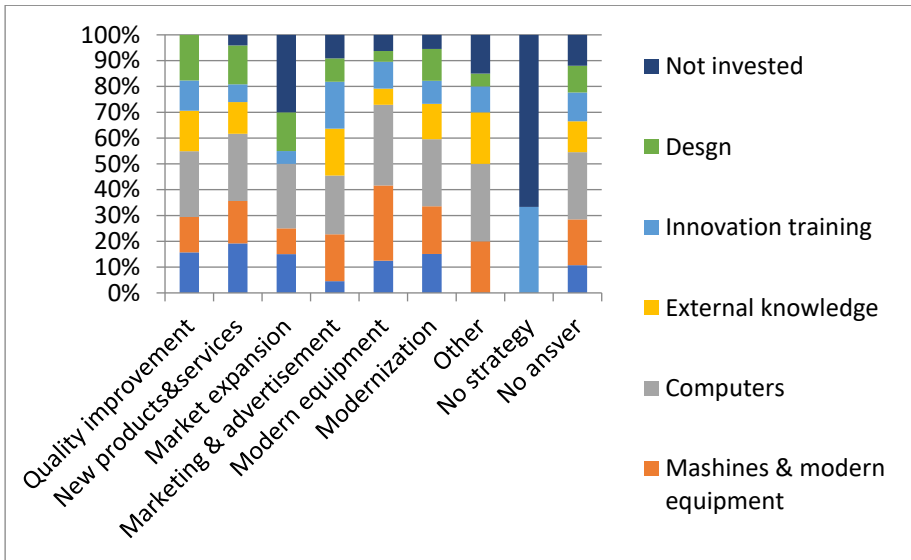
Among the Bulgarian business, there is still a prevailing attitude towards investments in tangible resources - in this case - modern machines and equipment, computers. There is an increase in the propensity for investments in intangible resources compared to previous studies [14], such as investments in external knowledge, internal and external R&D, and innovation training. To the greatest extent, those who do not make investments deny the positive influence of corporate culture on the competitiveness of companies.

Fig.3. Has innovative products and services have been developed in your company? /What specific strategy or action could you take to increase the competitiveness of your company?



Respondents who answered positively to the question about creating innovative products to a greater extent implement a variety of competitive strategies - mostly in modernization, enrichment of the range of products and services, increasing the qualifications of employees, and stability of quality.

Fig.4. In the last three years has your company invested in:/What specific strategy or action would you take to increase the competitiveness of your company?



Companies making investments to acquire resources implement, to a much greater extent, strategies to support their competitive performance in the business environment in which they operate. Those who do not implement strategies also do not make investments.

Discussion and conclusions

As a result of the presented results of the survey, we can draw the following conclusions:

In Bulgarian business practice, understanding corporate culture's positive influence on companies' competitive performance is permanent. This understanding has been proven in the author's previous studies [5]; [14]. Here, it is necessary to specify that the question is not related to the study of the understanding of the essence and characteristics of corporate culture but only of its influence. Investment in tangible resources still predominates, and managers need to realize the critical importance of intangible resources that will enhance the innovation potential of the enterprises they lead. The generation and sharing of knowledge will help them to a greater extent both to meet the changing needs of their stakeholders and to create strategies by the dynamic conditions of the business environment to help them exist successfully in the conditions of constant change, as well as to increase competitiveness. Although we do not consider incremental and radical innovation separately in the empirical study, we can point out that the culture of innovation should not be subject to typology (with all conventions) on this basis. The organisation's culture continuously influences the employees' behaviour and daily work activities. Embracing the propensity to innovate as a value leads to managing a culture supporting different innovation types.

Acknowledgments: This paper is an output of the science project "Innovation in business and education. Development of a conceptual communication model for innovations in a business-informational organizational environment", Fund of Scientific Research, Bulgaria, КП-06-Н-35/5-18.12.2019.

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