

INNOVATION AND CORPORATE CULTURE. CULTURE OF INNOVATION IN BULGARIAN ENTERPRISES

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Abstract: *Organizations are under constant pressure to compete successfully, and innovation becomes an essential factor in their efforts. Innovations provide opportunities to respond to stakeholders' ever-changing requirements and needs and support both the technological development of companies and increase their performance in a highly competitive business environment. 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. Corporate culture, in this context, is understood as a culture of innovation. The theory is illustrated by data from an empirical study of 300 companies by the report's author.*

Key words: *innovation, corporate culture, culture of innovation, competitive performance*

Organizations are under constant pressure to compete successfully, and innovation helps them in their efforts. The generation and introduction of innovations provide opportunities to meet the ever-changing requirements of stakeholders and helps to increase the overall performance of organizations in a highly competitive business environment. Innovation is considered as a significant factor for the realization 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 [1]; [2].

The construct of corporate culture is determined by the multifaceted approaches and paradigms, typologies and models, extensively presented in the research literature. The corporate culture is related to the leadership, communications and motivation of employees in the organization. It is the „framework“ in which identities, images, brands, corporate reputation are created, managed and changed [3]. The corporate culture mediates the contact between the internal and external stakeholders of the organization. The communications of the organization do it. Understanding the nature of corporate culture is essential for both the members of the organization and the other key stakeholders.

Theorists and practitioners who study corporate culture problems cannot unite around a single definition that encompasses its essence, which in turn indicates the various influences of the construct and the effect it has on organizational life.

Corporate culture is a set of values, norms and basic assumptions accepted by the members of the organization and in unison with which they carry out their daily business activities [4]. Culture is „shared social knowledge“ in the organization that influences employees' attitudes and behaviour through rules, values, and norms.

An influential culture is related to the strategy and structure of the organization. Culture cannot be shaped before the organization formulates its strategy. One of the essential criteria for the effectiveness of a culture is that it must be relevant to the strategy. Corporate culture is a guiding principle of organizational life and represents the invisible infrastructure of the visible organizational structure.



Corporate culture is a significant driver of organizational change. No organizational change is possible without a change in corporate culture and vice versa [3].

In today's conditions of high uncertainty in the business environment, corporate culture must become more fluid to increase organizational flexibility and adaptability by supporting many executive formats existing in the organization and its network. Corporate culture must support management's efforts to maximize human potential - to promote interaction, decision-making and the free exchange of information [3]; [6].

One of the most studied aspects of corporate culture is its impact on the competitiveness of the organization [3]; [7]. The research literature also presents a variety of studies confirming the positive relationship between corporate culture and innovation of the company [8]; [6]; [2]. Corporate culture and overall organizational performance have a positive relationship. Therefore the culture of innovation also becomes a condition for achieving a competitive advantage.

What are, in the broadest sense, innovation? The OECD's Oslo Manual (2005) [9] mentions that innovation does not have to be completely new; it may be an improved product, a method of market competition or a process that has a positive effect on competitiveness. Innovation, understood as a unique competitive advantage, is defined as product, process, marketing, strategic and behavioural.

The main elements of corporate culture influencing the innovation in the organization are the practices that facilitate the process of socialization of new employees and the values, norms and basic assumptions that guide the behaviour of members of the organization [10]; [11] and relationships with other stakeholder groups. The culture supporting support of innovation promotes the motivation and sustainability of the interactive process for the exchange of knowledge, skills, technologies necessary for the realization of successful innovations.

The corporate culture that supports innovation in the organization must be sensitive in the understanding of innovation as an integral part of constant change. It is a prerequisite for innovation to be embedded in the „invisible levels“ of culture – basic assumptions and values. The organization members' innovative behaviour results from the organizational norms supporting the exchange of information related to the changed approach to „doing things“ in the corporate reality [12].

A culture that supports innovation must encourage creating and adopting new ideas and applying them inside and outside the organization. The presumption is the need to adapt to the ever-changing requirements of the environment and the possibility of gaining a competitive advantage, which indicates the essential link between innovation and change.

More innovative companies are more flexible and adaptable to change and show higher levels of competitiveness. For the successful existence of the organization and the sustainability of its competitive advantage, it is necessary to adopt a culture of innovation. The culture of innovation supports the search for solutions to meet societal needs by generating innovative solutions and creating value.

The culture of innovation can be defined as a perception, way of thinking, and behaviour that enriches and establishes values and attitudes in the organization. It helps the organization adopt and maintain ideas and changes needed to improve the efficiency and effectiveness of all processes, and they must not be consistent with conventional assumptions and traditional organizational behaviour.

The culture of innovation has different definitions, some of which are presented by Clavier and colleagues [13]. One of these definitions defines the parameters for the successful functioning of the culture of innovation:

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The company's management should be tolerant of risk-taking

- All members of the organization to be involved in innovation processes.
- Creativity to be stimulated.
- Responsibility to be shared.

The model of the culture of innovation [2] was created based on previous research by the author – Yanica Dimitrova [6] and is based on the trinity of corporate culture-strategy-structure.

The presumption here is that it is difficult and practically impossible to create a specific typology of the culture of innovation because the definition of specific parameters is not a sufficient condition for this. The generation and introduction of innovations are related to how the organization carries out its business activities, size, management structure, and innovative capabilities. The most important thing we can note in connection with the perception and management of the culture of innovation is discovering specific characteristics that can support the organization's perceptions and actions for the implementation of innovation.

The above is supported by the fact that in widely accepted typologies of corporate culture - Cameron and Quinn (1999), Denison and others. (2006), Welch (1983) and others, there is a tendency to realize innovations and seek cooperation, teamwork, and constructive interactions.

An essential element of the culture of innovation is the change - the redefining of business models, trends and challenges arising from the micro and macro environment; tolerance of uncertainty and risk-taking, and the perception of evolution as a positive that helps to upgrade.

The perception, action, management of the culture of innovation requires an understanding of its importance by all the organization members. The leaders of this type of organization must be ethical, innovative, visionary. It needs to be harmonized with strategies that include responsible innovation and organizational structures that facilitate stakeholder interactions.

Empirical study – results and discussion

In the present study, we consider the understanding of the relationship between corporate culture and competitive performance in the context of the innovations carried out by the respondents, as well as the strategies they apply to compete more successfully in the market in which they operate.

The sample was compiled based on the number of companies that implement innovations in the Republic of Bulgaria according to NSI data. The surveyed companies' profile is as follows: the number of respondents – 300 companies, the owners or managers of the companies were interviewed according to a pre-prepared survey with closed questions. The survey was conducted in the period March-April 2020. The size of companies is determined according to the European classification - micro enterprises - 159 respondents, small – 92, medium – 32, large – 5. Twelve of the respondents did not answer to which group it belongs the company they run. From the demographic profile, we see that the respondents in the survey are mainly representatives of SMEs. The following areas of activity are presented – production, services, light and processing industry, machine building, energy, science and education, IT, construction, design, engineering¹.

¹ The survey was conducted in the period March-April 2020, under the project „Innovation in business and education. Development of a conceptual communication model for innovations in a business-information organizational environment“. Scientific Research Fund KII- 06-H-35/5-18.12.2019 г.

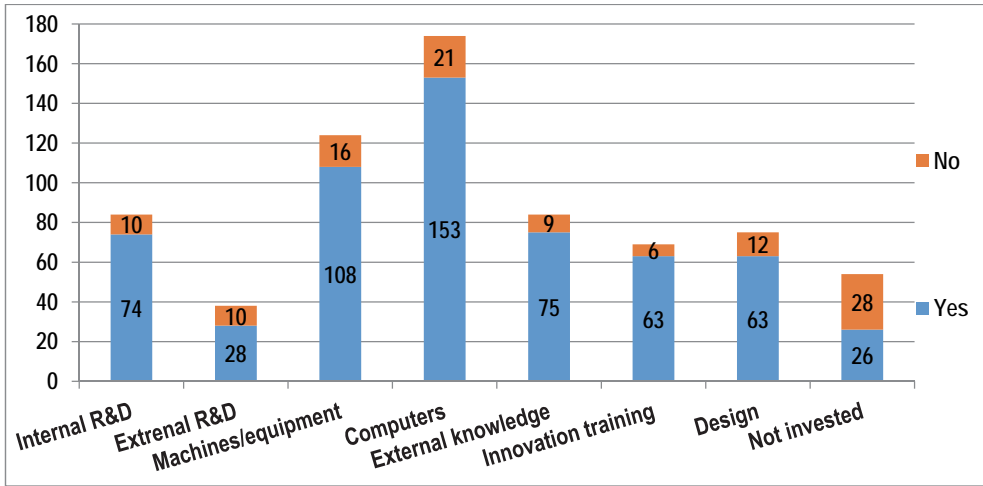


Fig. 1. In the last three years, has your company invested in: /Corporate culture-competitive performance

The respondents in the survey, who are aware of the positive nature of the corporate culture-competitive performance relationship, invest mainly in purchasing computers and modern machines. Investments are also made in acquiring external knowledge and internal R&D. Innovation training is the next priority investment. Relatively few respondents invest in external research. Those who define the relationship between corporate culture and the organisation's competitive performance as unfavourable invest in innovation to a much lesser extent. Priority for them is an investment in tangible resources – computers and modern machinery and equipment.

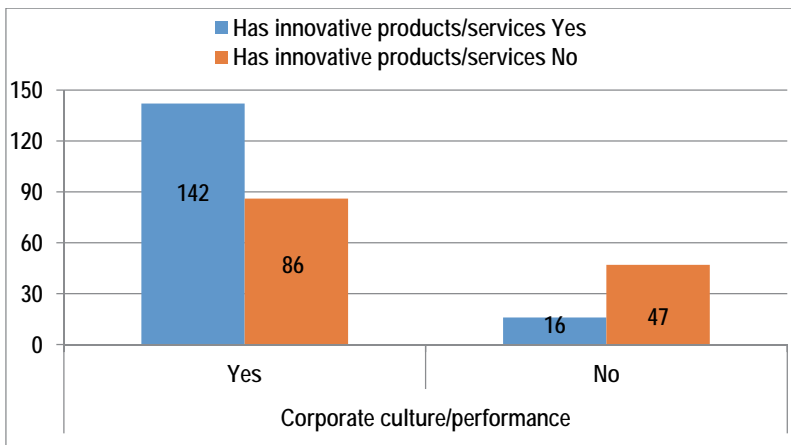


Fig. 2. Corporate culture-performance/Has inovative products and services?

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The link between understanding the positive impact of corporate culture on competitiveness and creating innovative products and services is also palpable. Respondents who appreciate the positive nature of the relationship are more likely to develop and introduce innovative products and services.

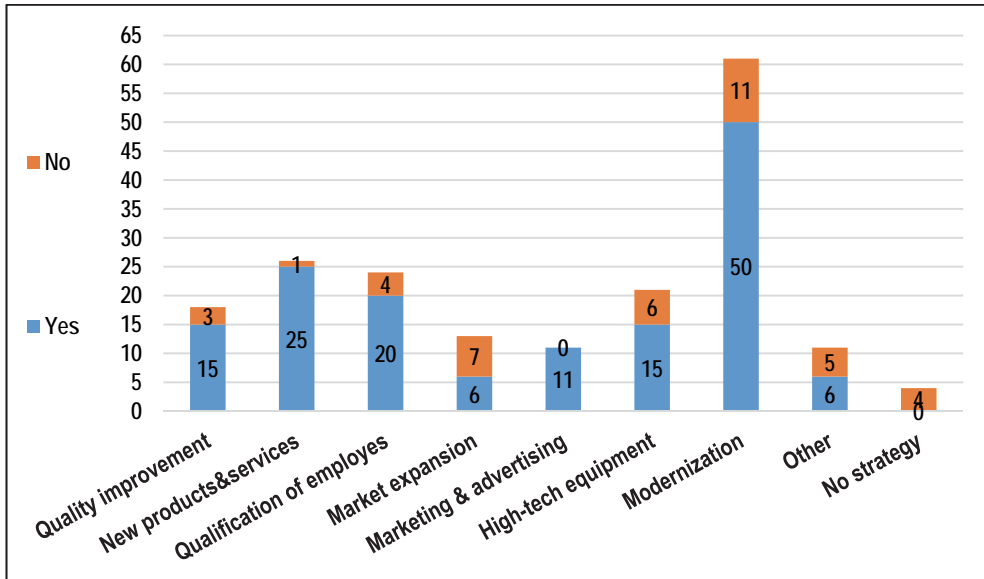


Fig.3. Competitive strategy/Corporate culture-performance

The participants in the study, who are aware of the positive nature of the relationship corporate culture - competitive performance, to a much greater extent than those who define it as unfavourable, implement competitive strategies. The most applied competitive process is modernization, followed by creating and introducing new products and services. Less emphasis is placed on raising the qualification of employees, high-tech equipment and increasing quality. Marketing and advertising, as well as market expansion, are the least represented.

For the introduction and subsequent management of a culture of innovation in Bulgarian enterprises, it is essential to be aware of the need to constantly improve the knowledge and skills of employees because competent employees are the basis for creating innovation. Investments in internal and external research, internal and external expertise should also be a priority. Mentioned brings to the fore the understanding of the importance of communication, motivation, interactivity, the vision for the long-term development of the organizations included in the domain of the culture of innovation.

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