

Innovation Culture and Effective Management of Organizations

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Abstract: Undoubtedly, the development of innovation culture is mainly related to the way organizations are managed – the way in which management decisions are taken. Nowadays, markets are characterized by extremely dynamic processes that lead to a continuous change in their way of functioning. The main issue facing scientists and researchers as well as active business representatives, is the identification of how managers of organizations manage or could manage knowledge (both their own and that of their employees). In turn, this leads to the creation of more competitive advantages. This issue is paramount not only for the academic and research environment, but for industries where organizations urgently need to develop such stimulating strategies and play a significant role in the development of innovations. That is why the issue of innovation management is continuously present around the scientific community and covers other issues related to innovation-oriented management and focused on research and industry.

Keywords: innovations, management, organizations.

Introduction

The different ways in which decision-making is made in some organizations may involve non-standard ways of doing things. Corporate managers pay special attention to the five competitive forces originally formulated by Porter (1985) [1] and widely distributed in corporate management and investment analysis. They lead to the emergence of some sort of organizational competition. However, other factors play a key role in the survival and success of the organizations. What distinguishes firms struggling for survival from those who constantly innovate is primarily due to internal configurations of organizational processes and the way decisions are made.

Innovative organizations in most cases have their own, unique features. They have a history of innovation where different processes are adapted to different roles, management systems, and decision-making. Creating permanent innovations is the result of an organizational culture in which experimentation is continually stimulated. The emergence of innovations stems from the configuration of development factors such as strategies, structural transformations and, last but not least, the logic of taking strategic actions for the future of the organizations.

Unlike innovative organizations, the low degree of innovation culture in others is mainly due to a single reason - management. Managers determine the tone, the way of making decisions, the amount of the remuneration (including their own). They give specific signals, often unconsciously perceived by employees and workers, which create the climate that is characteristic of each organizational structure. Arrogance, ego, imperative management style combined with a number of personal weaknesses have an impact on the organizational culture, which in many cases leads to obstruction of the acquisition of new knowledge and its practical application. A confirmation of this thesis could be found in the comment of the editor of International Herald Tribune:

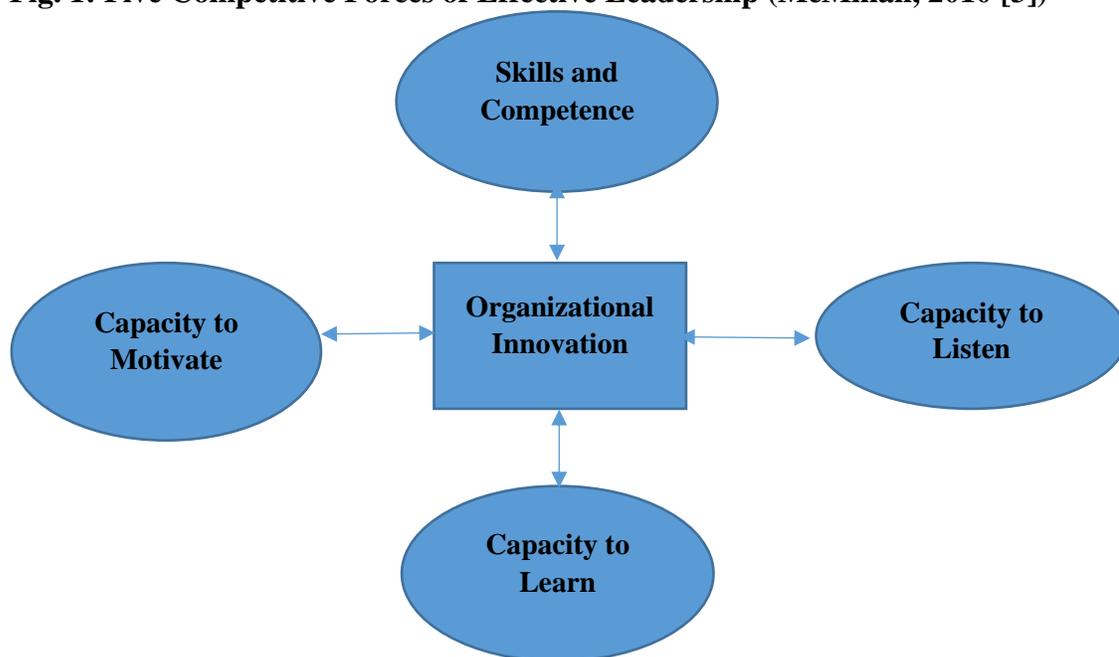
“I remember when General Motors closed 11 plants, some of them in the Great Lakes region. They said, “We cannot afford to do business this way.” “...but do you know what was going on in General Motors' upper echelon? They received six-digit bonuses at the end of each year. It is hard to feel sympathy for such a company.” [2]

Organizational innovation capability is a key indicator both for organizational capacity (more results than less investments) and for organizational efficiency. In other words, this is related to long-term survival.

In view of the above, the question arises as to what the internal competitive forces that drive the development of innovations are and, respectively, the upgrading of innovation capability. Innovation is, in its essence, a transition from one state to another that includes a wide range of social and behavioral processes - from surprise, changing the existing, and taking broad steps to the unknown or unpredictable. In an effort to clarify the specificities of these processes, Toronto University Professor Charles McMillan (2010) [3] systematizes the following five key forces of effective leadership (see Figure 1):

- basic organizational skills and competences;
- ability to listen, through institutional research and analysis of possible alternatives in decision-making;
- ability to acquire knowledge from different information sources, decisions taken in the past, alternative practices, etc.;
- ability to motivate individual members of the organization, both by providing adequate incentives and by drawing a clear vision of the organization's future;
- ability to generate organizational innovations that is in direct relationship with the other four.

Fig. 1: Five Competitive Forces of Effective Leadership (McMillan, 2010 [3])



Organizational skills and competence

Innovative organizations have managers who collectively and individually possess a set of specific qualities and skills such as:

- readiness and willingness to manage people;
- taking responsibilities;
- engagement;
- ability to control employees' behavior;
- delivering results-oriented thinking;
- solving current and general problems;
- suppression of conflicts;

- intuition.

Corporate strategists realize that the core of the organization's competitive position is precisely the combination of skills and relationships.

The key task of management is to configure organizational resources and maintain a balance of relationships to maximize neutralization of threats to the competitive positioning of the organization (due to constantly changing external conditions). The effectiveness of a manager depends primarily on the environment. Over time, its capacity is determined by the high quality of the team and the capabilities of the entire organization. This can provide him with invaluable support for the changes he wants to make, or vice versa, to make these changes impossible (see Davidkov 2012) [4], Wheeler et al. (2007) [5].

Obviously, the way in which key solutions for organizational development are taken is the prerogative of senior management. Strategic solutions stem from institutional and organizational issues and directly affect the organizational structure, formal and informal management lines, budget allocation, employee incentives, access to strategic information, and more. Those organizations that have been able to build a strong and united team where management and changes are institutionalized at all levels, could be qualified as successful with a focus on carefully combining new ideas, routines and providing incentives for three key stakeholders:

- clients;
- employees;
- shareholders.

Favoring any of these three at the expense of the other two is a potential signal of failure.

Organizations themselves are the embodiment of decision-makers. Managers' creativity is a consequence of their ability to be involved in emerging situations by pre-identifying their familiar characteristics. This requires a solid knowledge base to identify properly the different models.

“The ability to draw proper conclusions from existing models for decision-making requires a depth of expertise. Knowledge and consistency are prerequisites for achieving high results” (Simon, 1983) [6].

Facing tomorrow's challenges managers put the mechanisms of power in the center. The reason for this is not so much personal desire as the need to suppress permanently arising organizational conflicts. The fully logical impulse to centralize power around executives puts a number of questions on the agenda - from the way of spending budgets to communicate effectively with the surrounding world. Without feedback (control), management unconsciously becomes the center of organizational dysfunctions.

While being engaged in external organizational problems, managers are not able to communicate sufficiently with their employees. The time factor plays its key role. Partial or total lack of prior instructions to employees about the performance of certain activities is the result of poor planning of the decisions taken (in terms of time factor). In turn, the re-imposition of decisions already taken to solve a problem undermines authority and reduces respect for executives. Participants in this process - both managers and employees - fail to explain the prerequisites for making such decisions (Cyert, 1990) [7]. In most cases, employees make a psychological retreat in the context of adopted standards of behavior or organizational rules.

According to Henry Mintzberg (1973) [8], organizations are faced with the threat of communication channel violations, as managers simultaneously perform many different roles. They are constantly concentrated on the security of decision-making. They take rather routine actions within integration and coordination processes to achieve certain effectiveness by avoiding creativity and innovation as forms of adaptation to ever-changing external environment. In many cases, decision-

makers urged by external factors also fail to communicate meaningfully within the organization. The employees themselves abide by the established norms and adapt their behavior and actions to the specifics of already established routine activities. In other words, a serious problem for managers is to highlight the differences between the exploitation of the status quo and the use of new strategies and behavior.

Complex technological changes and activities require both multiple feedback mechanisms and specific means of coordination and communication. Effective managers focus their attention on weaknesses in the value chain. They act in this way on the example of the maxima known by team sports that the results are directly dependent on the strength of the established relationships between the individual team members. This perspective is due to the increasing interdependencies and interconnections in a company, which in turn implies the need to reassess the ways in which the organization itself is managed and coordinated. This process includes the identification and removal of existing barriers (e.g. information) among separate departments.

Ability to listen

Various personality traits, such as intelligence, personal will, self-confidence, psychological resistance, hypersensitivity, etc. may reinforce or vice versa - impede the manager's ability to "listen". Although the majority of managers have this ability, few are the ones who actually deepen the meaning of the information received. It is necessary to get an insight into the positions presented, to clarify the questions asked and to analyze the answers in detail in order to get a clear idea of the actual state of a problem (Keegan, 2004) [9].

Rational decision-making theories dictate the need for constant search for alternative paths ahead. Managers seek to maximize the amount of information and continually discuss strategic development opportunities. Notwithstanding these norms, practice shows a large number of organizations whose managers often refuse to see the obvious. Rational decision-making is severely limited by a misinterpretation, a conscious or unconscious refusal to perceive details and an audibility of existing problems. Hearing different points of view, weighing pros and cons in combination with subsequent critical analysis can be crucial to the course of organizational processes. Personal values, organizational activities and not always clear results from the performance of some organizational tasks lead to significant limitations of decision-making capabilities. Examples of this are various details related to the management of an organization, such as a vaguely defined code of ethics, specificity of the managers, difficulties or even the impossibility of switching from role to role, and, last but not least, the establishment of a decision-making system with extremely weak feedback mechanisms.

In theory, managers are seeking actions to avoid such behavior. These include the creation of independent boards, flexible management of human resources, effective linking of their own remuneration with the results achieved, as well as financial transparency. This distinguishes the areas and levels of responsibility of managers by enabling them to focus on specific activities. The organizational formula could be found in creating a decision-making culture that is in line with established norms and traditional practices. For this purpose, it is necessary to build and maintain formal and informal information channels that provide a constant inflow of up-to-date information and a willingness on managers' part to use this information as intended (Sorensen, 1963) [10].

Ability to learn

Largely, the learning ability is also related to decision-making, communication channels and organizational structure (Vaughan, 1996 [11]). Managers of classically structured vertical

organizations rarely allow their employees to perform creativity and imagination in their daily routines by framing their behavior. Management systems allow the imposition of views in the face of a stronger and more controlled use of organizational resources, and this leads to problem aggravation. Conversely, organizations with horizontal structures create objective conditions for facilitating knowledge dissemination. The existence of some types of hierarchical relationships is limited to the management of a project, and in different projects, roles are usually exchanged according to the individual competencies of the participants. The feeling of equality in the teamwork presupposes the free expression of the views and accordingly gives the opportunity to defend the position of each of the participants arguably. Typically, bureaucratic feedback procedures either do not exist or are minimized. This freedom is critical for the development of creative and innovative potential of managers. In practice, the organizational model influences learning through flexibly built structures with established principles of open power and communications that provide timely feedback and long-term orientation. As the author points out: "The secret is hidden in the way organizations are structured ..." (Vaughan, 1996) [11].

The large amount of information and the dissemination of knowledge necessary for the optimal functioning of some separate structural units combined with the use of different network sharing technologies can strengthen or weaken feedback mechanisms.

Typical of self-confident managers, whose goal in managing is to simultaneously stimulate and develop both business activities and employees, is their propensity to acquire new knowledge and competencies. Such kind of managers are open to new things and constant self-improvement, often learning from the competence of their employees. In many cases, feedback gives another, different reading of a strategy or problem. This other reading can be the key element in making an adequate innovative solution.

Ability to motivate

Employees in an organization realize that high productivity is more successful, and success gives positive signals for future development. Motivational factors are the primary function of the mission and the sense of purpose. Examples of this can be found everywhere around us - in the field of sport (the winning team), in politics (election victory), in industry (stunning technological breakthrough). Peter Drucker (1977) [12] defines the most important reason for the failure of a business venture to be the lack of sufficient attention to the business mission and the goals set. A corporate mission is an expression of organizational goals and behavioral standards, depicting emotional attachment in the form of an intellectual contract between managers and employees. Apart from the sense of organizational mission, motivational factors also come from dramatic market changes, product choices and incentives that can change personal satisfaction.

Concerning motivation, there are no boundaries to defining the culture of systems and decision-making. Contrary to the Japanese model that is associated with the search for consensus, some managers encourage the development of innovative corporate culture, primarily by stimulating teamwork and upgrading. In order to achieve their goals, they use both formal and informal approaches to promote the results achieved (verbal expression of job satisfaction or material incentives through a pre-established bonus system).

Successful executives put special emphasis on formal and informal communication, such as making certain gestures and allowing employees to go beyond the limits of established standards of conduct (of course, within acceptable limits). The aim is to create opportunities for research and implementation of new techniques and methods of work. An individual approach is critically important and should be tailored to the specifics of each person. This leads to additional impetus

and motivation to achieve results. In this sense, innovation is a twofold expression of the pursuit of continuous improvement by both managers and employees.

Ability to generate innovations

In order to ensure their successful development, organizations are constantly subject to new and potentially radical technological changes. A major challenge for managers is the need for an adequate interpretation of the links between the extraction of competitive advantages and the creation of innovations, between technological innovation and organizational flexibility, between inertia and the need for organizational change. Organizational change in the formation of new strategies and technological innovations is a kind of denial of the current status quo. Organizational innovation, especially when it comes to business organizations, involves a constant change in the cost curve. Fixed product costs are combined with marginal costs and can be reduced to an absolute minimum. Once created, a new technology can be used by someone else. This affects company-specific benefits, which can sometimes lead to drastic changes in positions and roles - for example, an industry leader may turn into one catching up. Some Chinese, Taiwanese, and South Korean IT companies such as Lenovo, Huawei, Samsung or HTC, are a classic example of this. They do perform more and more successfully, offering products and services functionally comparable to those of their direct competitors, but at much more competitive prices. In this way, the organizational ability of managers to create innovation becomes a key element for future prosperity.

Conclusion

The present article reveals the importance of deliberately building an innovative culture, aiming to improve existing management practices. The qualities required for a manager are described in details, the main focus being on the ability to generate innovation.

Notwithstanding the many capabilities and skills that a successful manager is expected to have, there are no clearly defined rules or formulae to guarantee positive results from his activities. The success of a manager is a relatively and strictly individual concept, tied to the specific features of a particular person, working in a particular environment, performing particular functions, and pursuing particular results.

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