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Innovation in Croatian Organizations as a Tool for Improvement of National Competitiveness

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Abstract

It is in the interest of companies and the overall economy to create favorable conditions for the implementation of innovation activities. For an organization to operate successfully and survive in the modern market, characterized by rapid changes, it is important to continually examine all aspects of business, constantly innovate them, and successfully adapt to new requirements. As the success and innovation of the organization depends on successful and innovative employees, the aim of this study was to determine the extent to which innovation has become implemented in Croatian organizations, how employees feel involved in innovative thinking about business, how much they care about it, and what the key factors are that promote or hinder the development of an innovative climate. The purpose of this study was to understand current business practices and attitudes of employees at different management levels, to understand innovation in the organizations that they work, and to devise various measures for improvement which are in line with modern scientific theories and can be used to encourage Croatian national competitiveness.

Keywords: innovation, leadership, organization, competitiveness

1. Introduction

A lot of research has shown that innovation activities in modern business conditions are considered the key driver of business success and the economy as a whole. Therefore, it is in the interest of both the economy and enterprises to create conditions that are favorable for the implementation of innovation activities. According to Schumpeter (1934, p.70), innovativeness in organizations can be seen in the following forms: introducing a new product with which the consumer is not familiar or introducing a new quality of the product, introducing a new method of production or sales that has never been implemented before, opening a new market, accepting new sources of raw material, and introducing new organizational schemes. In other words, in order for an organization to not only be successful in its business operation, but to even survive in the modern market which is characterized by fast changes, it is important that the organization keeps considering all the aspects of its business operation so that it can keep innovating them and adjust to new market requirements.

Castells (2001, p. 100) considers the key understanding of the driving spirit to be in innovation. While productivity, as well as competitiveness, are factors stimulating economic growth, innovation is driving the new economy. In essence, "Innovation is a function of highly trained work and the existing organization created by knowledge." The entrepreneur is the innovator, the person introducing new production combinations into the business world, based on technology and new organization. The entrepreneur is the one motivated by want and will, with a distinct sense for a fight and the thrill that comes from creating something new (Kružić, 2007, p. 171).

Small and medium enterprises are the largest source of jobs, entrepreneurial skills, and innovation, as well as social cohesion. Increased efficiency and innovation in the areas of organization, processes, products, services, or the market strengthen the competitive power of the economy, giving small enterprises an advantage over larger ones (Škrtić & Mikić, 2006).

Seeing how the successfulness and innovativeness of an organization depends on successful and innovative employees, the goal of this study was to determine: to what extent innovation, as a concept, has taken root in Croatian organizations; to what extent do the employees feel included in the consideration of innovative business operations; how important they even think this is; and what they think are the key factors encouraging and preventing an innovative climate from developing in their own organizations. The purpose of this study is to understand the current business practices and the attitudes of employees of different management levels toward innovativeness in the organizations that employ them, with the purpose of designing different measures for improving innovativeness in line with modern scientific theories, so as to encourage Croatian national competitiveness.

2. Methodology

This study was conducted by using an online method in the period from January 24, 2017 to February 2, 2017, and included 236 respondents. Of the total number of people who filled in the questionnaire, 65% are women and 35% are men. The sample shows equal distribution across age groups and management levels, while a university degree was the dominant qualification in education. In addition, 40% are employed by organizations with more than 250 employees and 26% in organizations with 51 to 250 employees. Of the respondents, 80% are

not the owners of the organization they work for and 53% of organizations that employ the respondents met their sales objectives in 2016, with 20% exceeding those objectives.

This study examined the attitudes of employees on the importance of innovativeness to the success of the organization, as well as their sense of innovativeness. The study also examined the frequency with which the organization includes employees in innovative considerations about the various aspects of business operations.

Therefore, an online form was designed that consisted of statements for which employees were asked to specify their level of agreement or disagreement from 1 to 5, in the form of a Likert-type scale, with 1 being “strongly disagree” and 5 being “strongly agree.” The last three questions were open questions where respondents were asked to state what they consider to be the largest obstacle to innovativeness in organizations that employ them, what they think is the biggest encouragement of innovativeness, and what they think the organizations should do to increase their own innovativeness.

3. Results

The statement with which the respondents agreed the most ($M=4.56$, $s=0.736$) is that it is important for them to be able to state their ideas at the organization that employs them. The next statement is that they think innovativeness (that is, constant consideration of how to systematically improve all segments of business operation) is an important factor for the successfulness of the organization ($M=4.46$, $s=0.938$). For the third statement, the respondents agreed that the innovativeness of each employee is important for the success of the organization ($M=4.35$, $s=0.909$). In agreeing or disagreeing with these statements, there were no statistical

differences among the employees in the size of the organization that employs them, their position in the management structure, or the successfulness of the organization in realizing their 2016 sales objectives.

It is also interesting that to a large extent, employees agree with statements that they see the success of the organization as their own ($M=4.32$, $s=0.996$), they feel good realizing their ideas within the organization ($M=4.2$, $s=0.996$), and they generally feel like enterprising persons full of ideas ($M=4.08$, $s=0.878$). Despite the mentioned large extent of agreement, the lowest management level has statistically significant differences from the other higher management levels in regards to them perceiving their company's success as their own. Furthermore, this is emphasized with another item where lower management levels opposite to higher management levels do not feel well in the realization of their own ideas in the companies they are working for ($F=15.26$, $p<.01$).

The respondents agreed with statements that in the organizations that employ them, they get all the information needed for successful designing of new ideas to improve business operations ($M=3.1$, $s=1.28$), and that they see the organization that employs them as innovative ($M=3.1$, $s=1.3$). Despite this, the least number of respondents agree with the statement that their goal is to one day realize their ideas in their own organization ($M=3.0$, $s=1.39$).

Also, there are statistically significant differences in management levels among the respondents, where the board and senior managers have the most information while lower-level managers and employees feel a significant lack of information in order for them to be able to come up with high-quality business ideas ($F=8.4$, $p<.01$).

Statistically significant differences can also be found among the organizations in the realization of sales objectives in 2016 ($F=5.05$, $p<.01$). Employees of organizations that have not realized their objectives think they have the least information, while employees of those that have exceeded their sales objectives significantly receive the most information.

The same trends can be found in the assessment of employees as to how much they see the organization that employs them as innovative ($F=9.8$, $p<.05$). Among those who would like to establish their own enterprise in the future, most currently work in micro or small organizations, and this trend is least found in medium and large organizations ($F=15.4$, $p<.01$).

These results point to the employees seeing innovativeness as undoubtedly important to the success of the organization, which means that their attitude towards innovativeness is an extremely positive one. Additionally, it is important for them to be personally involved in innovativeness, and they see no problem in giving their ideas to their employer, even though they are not the owners of the organization, because they see the results as their own. This attitude toward seeing themselves as active factors contributing to the success of the organization is extremely important, as it shows that the employees do not wait for somebody else to solve the organizational problems, but that they can and should solve these problems with their own efforts. This speaks about them being proactive, and this is also the key to the success of an organization.

It is interesting to note that a large number of respondents think of themselves as creative persons, and that they believe the innovativeness of each employee is important for the success

of the organization. Therefore, creativity is no longer linked to extraordinary talents of certain individuals, but is seen as a characteristic that they very much have and that they expect from others, as well.

Despite this, the respondents think the management does not see them as active factors in improving business operations to the extent that the respondents would like and to the extent that they feel competent for. The management only occasionally ($M=3.3$, $s=1.36$) asks them for ideas on how to improve various aspects of business (products, services, processes, and the efficiency of the organization in general). It seems that the management sees them more as operatives who need to get the job done in the way they were told to do it, without too much thinking about the job, than as active factors to the success of the organization.

There are great differences among different management levels ($F=11.7$, $p<.01$) in the sense that the feeling of being involved in innovating the business is stronger at higher levels, while at the lower management levels, this feeling is significantly weaker. This shows that employees on the operative level are relatively far from consideration when it comes to innovativeness, despite their wish to be involved, their feelings of being competent, and showing high levels of loyalty toward their employer.

It is also interesting to examine the feeling of being involved in innovating the business of the organizations that the respondents are employed by in relation to realized sales objectives in 2016 ($F=10.26$, $p<.01$). Employees of organizations that have not realized their sales objectives feel the least involved in the process of innovating the business. Employees of organizations that have exceeded their sales objectives feel significantly the most involved in the process.

This data clearly shows that the most successful organizations utilize the innovative potential of the employees the most, which surely contributes to their market success.

The analysis of the answers to the question of what the respondents consider to be the biggest obstacle to innovativeness in their organization sheds additional light on the patterns of such organizational behavior. Out of the respondents who have answered this question, which was not mandatory (N=130), as much as 58.14% answered “poor management,” and 26.36% answered “organizational climate.” Other answers included “poor possibilities of financing innovative projects by the organization” (7.75%), “poorly developed processes and procedures for innovation” (3.88%), and “non-encouraging market environment” (3.88%). Some of the characteristic answers provided are: poor communication between managers and employees, managers not being competent, not including the employees in the decision-making process, rigid atmosphere and fear of change, too much focus put on operative assignments, etc.

A total of 121 respondents answered the question of what they thought is the biggest encouragement of innovativeness in the organization. The most frequent answer is “an encouraging organizational climate” (33.89%), followed by “quality management” (25.62%), and “own initiative of individual employees” (23.14%). “Rewarding employee innovativeness” (9.09%) and “an encouraging environment in general” (8.26%) were the answers represented to a somewhat lesser extent. Some of the characteristic answers included: supporting management that listens and supports, a team which communicates and agrees upon solutions, individuals who persist in finding a way to realize their ideas, satisfaction with teamwork on something new and good, communication on all levels, acknowledgment, and common vision.

A total of 116 respondents answered the question of what their employer should do to be more innovative, out of which 46.28% agree that the organization should have a more competent management, 21.55% think the key to success is an open and supporting organizational culture, 11.21% think the key to success is financing innovative projects, and 9.48% think the key is to reward innovation and a more encouraging environment. Some characteristic answers included: my organization should promote a culture that appreciates innovativeness, it should have a clear idea of how to realize its objective and include its employees more, it should take a look at itself from the point of view of its clients, it should focus more on the relevant, it should introduce the objective to everybody, it should have a better and more open communication that rests on mutual respect and work, it should have a more encouraging management who are interested in their jobs, and it should have a more present true leadership.

4. Conclusion

This study has determined that employees think it is extremely important to be able to express their own ideas in the organization that employs them, and that they feel competent and motivated to do so. Additionally, they think the organization's innovativeness is very important for its successful business operation, and that this implies the innovativeness of every employee. This study has confirmed this correlation, as the organizations that exceeded their 2016 sales objectives ask for their employees' ideas significantly more in order to improve their business operations and share relevant information significantly more than organizations that have not realized their sales objectives. Also, it was found that innovativeness is significantly more present at higher management levels in comparison to lower management levels. Therefore, it is very important that higher management levels provide employees and lower management levels with all the necessary information they need for successful creative thinking, as well as

ask them for their ideas, to be able to improve business efficacy and effectiveness in their organizations.

In addition, employees think that it is precisely a supporting organizational culture and quality management that are the key factors for developing innovativeness in organizations. This implies that management should pay greater attention to systematically develop both of them in order to increase organizational innovativeness and consequently, its market success.

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