

## **THE ROLE OF INNOVATING ORGANISATIONS IN THE CREATION OF A NEW DIMENSION OF PERFORMANCE OF THE COMPANY AND SOCIETY**

**ANCA JARMILA GUȚĂ \***

**Abstract:** *The paper presents the role that innovative organizations play in creating performance both for themselves and for the environment in which they operate and last but not least for society as a whole. Innovation consists of the set of activities that lead to increasing the amount of knowledge and their use in various fields of activity. Innovative organizations are those that carry out innovative activities to create and reinvent new markets, products, services and business models with the ability to create the internal knowledge and capabilities base and respond to them in an innovative way.*

**KEY WORDS:** *innovation, performance, innovative organization, leadership, innovation strategy, sustainability, organizational culture.*

**JEL CLASSIFICATION:** *M10, M29.*

### **1. INTRODUCTION**

The term "innovation" has a wide use, being used with various meanings.

***In a broad sense, innovation defines the introduction of the new for useful results.***

Other definitions given to the concept of innovation:

- Commercial or industrial application of something new, a new product, process or method of production, a new market or sources of supply, a new form of commercial business or financial organization.
- Activity oriented towards the generation, assimilation and capitalization of the research-development results in the economic and social sphere.

The global process of technological and commercial creativity, the transfer of a new idea or a new concept to the final stage of a new product, process or service activity, accepted by the market.

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\* *Assoc. Prof., Ph.D., University of Petroșani, Romania, [gancajarmila@yahoo.com](mailto:gancajarmila@yahoo.com)*

The existence of a new idea and the achievement of useful results by applying it are the essential elements of innovation, highlighted in the definitions above. Innovation is "a change that creates a new dimension of performance," says Peter Drucker. In many cases, innovation is based on inventions, but the two concepts are not synonymous. According to DEX, to invent means "to create, to invent something new that did not exist until then, to imagine for the first time; to make a technical discovery", and the invention represents "a technical solution or realization in a field of knowledge which presents novelty and progress compared to the stage known until then". To innovate means "to make a change, to introduce a novelty in a field, in a system", and innovation means "novelty, change, transformation".

Understanding the concept of innovation also involves clarifying the link with research and development activities.

In its current sense, the term "innovation" defines the successful implementation of a new idea. But the realization of innovation must be viewed in a broad sense, in connection with the creative processes that aim to find new solutions and materialize them in various forms. Such a vision is summed up in the phrase "Research & Development and Innovation".

*The phrase "Research-Development and Innovation" (RDI) presents innovation as the last sequence of the cycle of activities carried out systematically to increase the amount of knowledge and their use in various fields of activity.*

The Research-Development-Innovation cycle includes three sequences, defined below:

**Scientific research:** is the activity aimed at finding new knowledge about matter, nature and society. Depending on the nature of the knowledge, the following are different:

- *basic (or fundamental) research* - experimental or theoretical activity initiated primarily for the accumulation of new knowledge on the fundamental aspects of observable phenomena and facts, without considering a specific application. Fundamental research analyzes properties, structures, and relationships, on the basis of which new hypotheses and theories are formulated.

- *applied research* - is aimed at metamorphosing the results of basic research into new solutions, products and technologies. It is an original investigation in order to accumulate new knowledge, but it is mainly oriented towards a specific practical purpose or objective.

**Development:** defines the activities based on the results of fundamental and applied research related to the production of new materials, products and services. It includes design activities and experimental activities to verify the solutions adopted in the design process.

**Innovation:** defines the activities that ensure the application of research and development results in various fields of activity, in order to obtain useful results. Whether it is the assimilation of new products, technologies, structures, management methods or new economic models, well-done innovation can bring benefits to the organization, to society, to people.

The term "Research and Development" has long been used in academia and business as a generic name for concerns about finding the new and its application in the

form of products, services, technologies. The introduction of the phrase "Research-Development and Innovation", instead of "Research-Development", emphasizes the importance given to the completion of creative processes by applying in real world the results of scientific and technical research. Neither the achievement of significant research results nor technological progress in itself creates a competitive advantage; an additional step is needed to convert research results into new products and services that meet social needs.

The emphasis on innovation is one of the hallmarks of strategies and policies applied in the last quarter of a century, both within organizations and at national and regional level. This new orientation involves the approach of research and development activities in connection with the business environment and other structures of society that must apply the new solutions, the aim being to obtain benefits for organizations, for society, for people.

## **2. INNOVATIVE ORGANIZATIONS, FEATURES AND PERFORMANCE**

The way innovation is achieved determines the performance of organizations and their sustainability.

The phrase "innovative organization" is often used in this context. Innovative organization: A company that continually innovates to create and reinvent new markets, products, services, and business models — which leads to growth. Such an organization has the ability to identify market opportunities, namely the internal knowledge base and capabilities to respond to them innovatively.

The term "innovative organization" is usually associated with Google, Apple, IBM, and other large companies that dominate the FORBES (American Business Magazine) list of the world's most innovative companies (World's Most Innovative Companies). But there are also smaller, lesser-known innovative firms in various traditional or emerging industries that have developed or launched state-of-the-art technologies. Also, the attribute of innovator (or entrepreneurial) can be associated with public organizations, in administration, education, health, etc.

Innovative organizations think differently, adopt proactive strategies and develop a culture of innovation and creativity that allows innovation to be found in everyday activity at all levels of the organization. Within them, innovation is a key competence, which ensures that they meet better requirements and increase revenue.

Experts point out that it is nonsense to aim for high performance in innovation without seeing how you innovate. In other words, the results of innovation cannot be attributed to chance. This idea is summarized by Davila and his collaborators, as follows: "innovation is not a rabbit that you take out of your hat on special occasions; it has to be an integral part of the way the company operates every day." Comments on the factors on which the organization's innovation performance depends are diverse, with three opinions set out below.

According to Davila, the key features of innovative organizations are: strong leadership in senior management; integrating innovation into the business mentality; harmonizing innovation with the organization's strategy; capitalizing on staff creativity

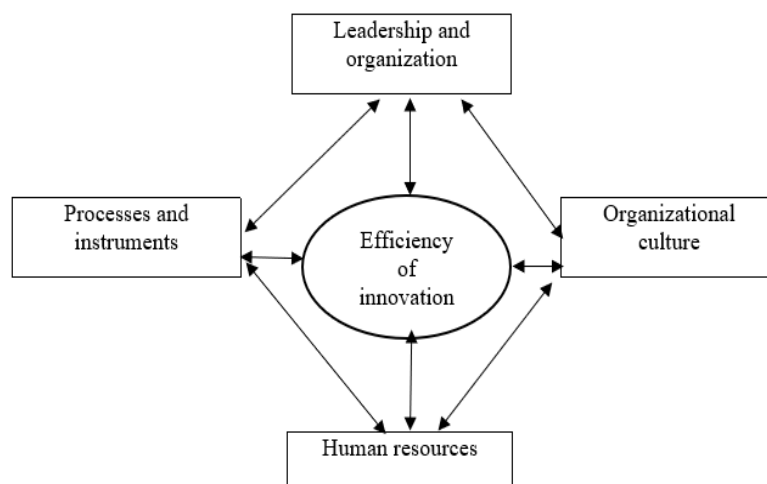
by creating value; developing innovation networks across the organization's borders; correct measurement and rewarding innovation.

According to Kotelnikov, the factors on which innovation success depends include: innovation vision and strategy; an organizational culture conducive to innovation; a system of processes and practices to support innovation, the involvement of top management in innovation; cross-functional innovation teams; skills development and employee participation in innovation.

According to Steiber, the most important things to ensure the sustainability of innovation in the organization are the following: a culture conducive to innovation; competent and committed people, passionate about innovation; leaders who demonstrate a high degree of confidence and believe that their role is to empower employees, train them and overcome obstacles; non-bureaucratic organization; an innovation-oriented recognition and reward system; an attitude and human resources dedicated to lifelong learning; innovation-oriented senior management; the belief that new and good ideas can come from anyone and everywhere.

Frequently, the internal structures, policies and culture of the organization inhibit innovation; In order to make a real difference in innovation, companies need to develop an innovation strategy and understand the need to transform the business, the culture and the processes involved. Many organizations want to be more innovative, but they don't know where to start. Often, the implementation of elements of the integrated approach to innovation is done on an ad hoc basis, without a global framework. The following comments aim to understand how to act for the effective implementation of innovation management.

The implementation of quality management involves changes in the organization in terms of working methods, people's roles, organizational culture. Fig.5.1 summarizes the major axes of change in the implementation of innovation management: leadership and organization, management processes and tools, people and organizational culture:



**Figure 1. Key factors for the effectiveness of innovation in the organizational context**

Evaluating the organization's innovation performance is one of the important issues in innovation management, being necessary to measure progress and substantiate innovation decisions. As Lafley and Charan put it, "Innovation is creative, but not chaotic. ... The innovation process has defined success criteria, benchmarks and measures."

In recent decades, the measurement of innovation performance has frequently appeared as an object of study, distinguishing two currents: the first aims at measuring innovation at the macroeconomic, national and regional level; the second refers to the measurement of innovation performance at the level of organizations, an aspect on which the following comments focus.

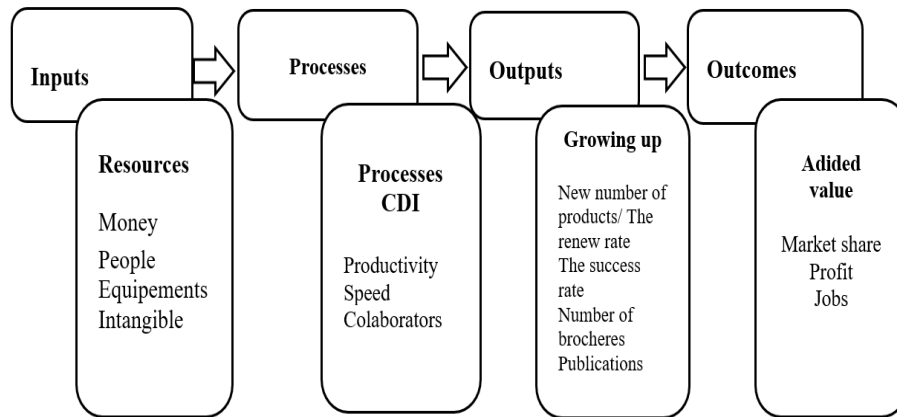
Given the expansion of organizations' innovation activities, it is important that the measurement be comprehensive, based on a set of relevant indicators. Empirical research shows that managers are not satisfied with existing measurement systems, which are generally financially oriented and do not have a clear connection between measured activities and strategic objectives. According to a survey conducted by the well-known firm Boston Consulting Group with executives from several companies, most use a small number of indicators, five or fewer, in the evaluation of innovation activities. In the context of increasing the importance of innovation, the trend is to multiply the number of indicators, while expanding from financial indicators, such as revenue share of research and development expenditures, to more complex criteria, such as strategic alignment.

The specialized publications formulate some fundamental rules regarding the establishment of the indicators for measuring the innovation performance of the organization. First of all, it should be noted that each organization must establish a set of indicators appropriate to its particularities. Many authors consider that strategy is the starting point in establishing the system of indicators, to help managers assess the adequacy of innovation to business strategy. According to Kaplan, the indicators that measure the return on investment, organizational capacity and leadership must be established both at the level of the organization and on business units, divisions, projects, individuals. At the same time, it is considered important to address this issue as an ongoing process for adjusting metrics to new contexts.

From the analysis of the measurement systems used within the organizations, especially in the technology-based industries, results a series of common indicators, presented schematically in Fig.1.2. They are usually grouped into three categories:

**a) *Input indicators***

It refers to the resources used in research and development and innovation, the most important inputs on which the performance of innovation depends being the financial and human resources. Research and development and innovation expenditures, expressed in monetary units or as a share of total sales, are the most widely used criteria in measuring the organization's efforts to introduce the new. At the organizational level, information on research-development-innovation expenditures allows tracking the dynamics of allocated funds, comparative analysis with similar organizations and establishing the correlation between allocated funds and innovation results.



**Figure 2. Typology of innovation measurement indicators**

***b) Process indicators***

It refers to research-development-innovation projects and measures productivity, speed, collaborations, etc. The most important parameter regarding the management of change projects is the time, being measured: the duration of the projects and the stages of the project life cycle, the time of launching new products / technologies on the market, etc. Another critical aspect is the productivity on the research-development-innovation flow, expressed by indicators such as: the number of ideas generated, the number of funded projects, the number of completed projects, etc. In the context of open innovation, the share of innovation projects from external sources is also of particular relevance. An important aspect in the general evaluation of the performances of the innovation process is the control of the conformity of the realized projects with the established objectives, regarding the results, the terms, the human resource, the costs. These forms of control are part of the quality management practices and are carried out for each research-development and innovation project, but also at the level of the organization.

***c) Output indicators***

It refers to the immediate results of the research-development-innovation activity, the frequently used indicators being the renewal rate and the rate of abandoned projects / success rate. The renewal rate is the share in turnover of new or improved products assimilated in the last three (four or five) years. This indicator shows an increasing trend in terms of increasing the funds allocated for research-development-innovation and reducing the duration of innovation processes. According to statistics, innovative companies are characterized by renewal rates of over 25%.

Innovation failure rate - is determined taking into account the innovation projects that do not end with the expected results, being possible to stop them in various phases of the project - design of new products / technologies, development or marketing

### 3. CONCLUSIONS

The approach to reinventing innovation and how to measure the performance of innovation and the maturity of the innovation system are the topics developed in this chapter. Comments on these issues can be summarized as follows:

- Innovative organizations think differently, adopt proactive strategies and develop a culture of innovation and creativity that allows innovation to be found in everyday activity at all levels of the organization. In these organizations, "innovation is part of the way we do business."
- The innovation performance of organizations depends on how they manage innovation.
- Implementing innovation management is a complex process and includes programs and change projects specific to each organization, each approach being unique.
- Strong management leadership at the highest level is essential for success in innovation.
- Innovation management includes measuring the organization's innovation performance, which is necessary to assess progress and substantiate innovation decisions.
- Each organization must establish a set of indicators appropriate to the particularities, being necessary their continuous adjustment to new contexts.
- The systematic evaluation of innovation performance and the maturity of the innovation management system occupies an important place in the management of innovation, providing useful information for identifying priority areas for improvement, monitoring progress and comparative analysis.

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