**Integrated
Consulting
Group**

Innovation Management in Romania

Mihai Svasta, Raluca Androne, Mikko Lehtonen

CONTENT

1 INTRODUCTION

Innovation is nowadays a topic that comes very often in discussion within organisations. The degree and pace of change in the business ecosystems determines companies, administration and even non-governmental sector to consider innovation as a key driver for their adaptation and for their growth. Indeed, innovation is a resource which starts to be used more and more. While other resources tend to exhaust while used, innovation, the resource residing ultimately in our minds, has a completely opposite behaviour: it tends to amplify as it is used.

As the years from European Union accession pass by, Romanian economy is becoming more and more integrated into the EU economy and thus in the global economy; it therefore no surprise that innovation starts to become a major concern also for the Romanian organisations.

The objectives of our study and research was to collect information about the status of the innovation management at the level of the Romanian organisations and to compare this information to the information contained in international studies and within the European Union Index concerning innovation.

2 THEORETICAL BACKGROUND

What is innovation?

Innovation is turning an idea into a solution that adds value from a customer's perspective (Skillicorn, 2016) or it is the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth (Drucker, 2002). *Research* is the transformation of *money* into knowledge. Innovation is the transformation of knowledge into *money*. (Nicholson, 2014) "Innovation is not invention. Innovation have to earn their keep. Very little is truly new in innovation. Think beyond products. Innovation is the creation of a viable new offering." (Keeley et al., 2013). Innovation it is, therefore, the transformation of an idea into value; an economic value, a social or an environmental value.

What is innovation management?

Innovation management is the process through which organisations starts, accelerate and nurture innovation. Although belief in your creative capacity, lies at the heart of innovation (Kelley, Kelley, 2013), transposed at organisation level, innovation management is the multitude of actions undertaken by the management with the ultimate goal to achieve innovation, as a tangible result and as a culture.
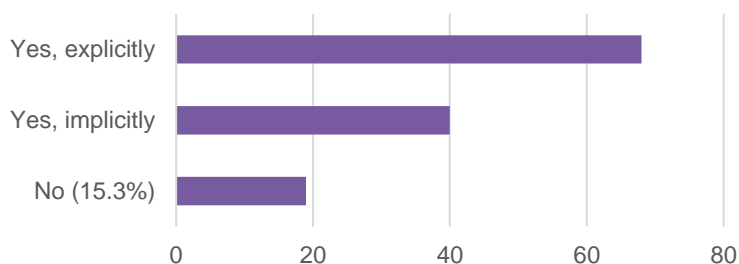
The way companies and organisations define innovation, how they tackle the subject and how the build-up the premises for a sustainable innovation-friendly ecosystem in organisations it is nowadays critical for the organisation capacity to adapt, to transform and to grow.

3 METHODOLOGY & RESULTS

The research was conducted based on a questionnaire developed in consultation to Prof.Dr.Cezar Scarlat (UPB/FAIMA). The questionnaire received inputs from Dr. Mikko Lehtonen, Aalto Aalto University School of Science and from Cosmin Nae, Kantar Millward Brown Romania. The questionnaire consisted of a number of 45 questions, divided into 3 categories: Vision and Strategy in relation to Innovation, Organisational Development in relation to Innovation, Human Resources related actions towards Innovation.

The questionnaire was posted on-line using Google Forms, in English language. The questionnaire was directed to medium and large companies (250 – 10.000 employees), being addressed to CXOs, Innovation directors, Research & Development directors. Over two months, a number of 124 organisations responded to the questionnaire.

Fig.1 - Innovation contained in the Vision Statement

To the question that attempts to determine the presence of innovation within the organizational vision, 85% of the surveyed organizations consider their statement of vision to highlight innovation, of which 53.8% explicitly (and 31.3% implicitly) . Only 15% say that innovation is not present in the company's vision, which undoubtedly conveys a real or perceived interest in innovation among companies – see figure 1.

Also – Figure 2- 66% of respondents also argue that innovation is explicitly mentioned among the company's values and – figure 3 - 78% say it is explicitly mentioned as a strategic objective of the firm.

Fig. 2 - Innovation mentioned explicitly among
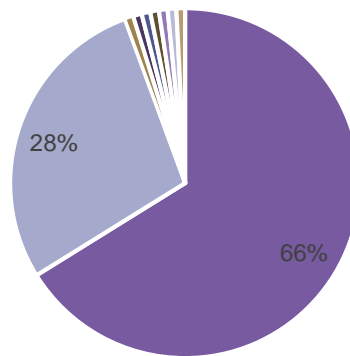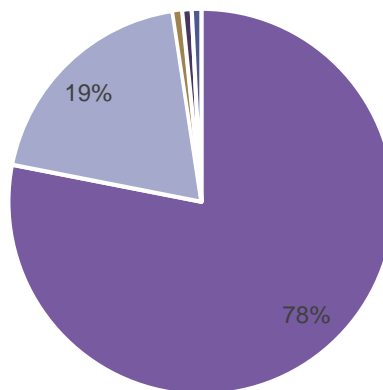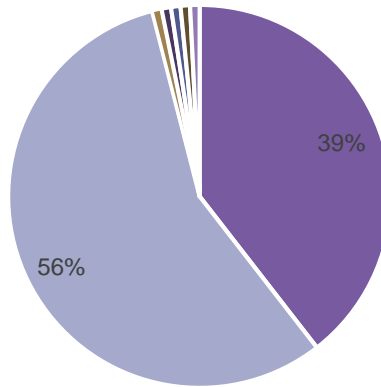company values

Fig.3 - Innovation mentioned explicitly as a company
strategic objective

However, only 39% say there is a KPI that explicitly measures innovation. Figure 4.

Fig.4 - Companies stating they use a KPI to measure innovation

The conclusion drawn from the analysis of the results of this set of questions is that, although there is a major concern on innovation at vision and strategy level, this activity remains at the level of desideratum or statement of intent, and **there are no well-defined processes to transform the desideratum of innovation in a tangible and measurable reality** than in a minority of situations.

4 ORGANISATIONAL DEVELOPMENT IN RELATION TO INNOVATION

The set of questions in this chapter attempted to determine to what extent the organizational development of the companies surveyed is based on innovation. In this context, 89.5% claim that there are product innovation initiatives and 75.6% claim that there are processes innovation initiatives, in their organisations.

But when we refer to an innovation methodology, 49.5% claim that there is no internal methodology to do innovation, and surprisingly even 57.5% argue that there is no internal problem solving methodology - here is a paradox, the larger figure from creative problem solving comes somewhat in contradiction with the figure from innovation methodology because it is virtually impossible to innovate without having a creative problem solving process.

Also, 64.5% of respondents argue that there is no area dedicated to innovation processes, which again comes in contrast with the number of respondents who respond positively to the existence of innovation in vision statements, values or strategic objectives.
Our conclusion would be whether innovation is done in an unorganized way or not, with an appearance of innovation activities.

A very high percentage of 25.8% argue that there is no specific innovation coordinator, while 37.9% puts it in top management. Only 22.6% see the coordination of innovation processes in the middle management area and a significant 5% see it in the HR area. From the analysis of these data, we can say that in only 23% of organizations there is a person defined and dedicated to the innovation coordination function, and in other organizations this role is taken up either by top management or HR positions or not (almost 26%) . Again, we can see a contradiction between the positioning of innovation as a vision and strategic objective and the allocation of management resources for innovation.

Almost 80% of respondents say that there are innovation projects in their organizations, but just over 60% say they are pursuing creativity. We can also see here a slight contradiction, given the direct link between creativity and innovation, or between organizational culture and innovation. It is hard to believe that organizations that do not aim to stimulate creativity, either through internal processes or through a culture of innovation, can successfully carry out innovation projects.
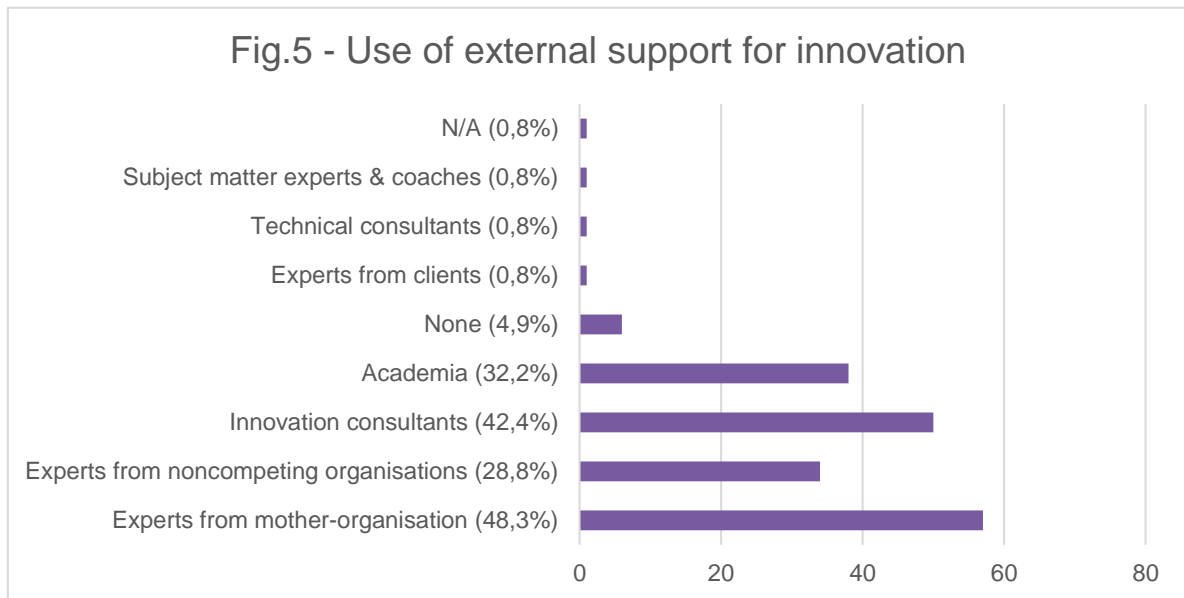
To the question about the methodologies used to carry out innovation processes, Design Thinking appears to be the most popular innovation methodology, with almost 75% of respondents saying they know it, followed by Lean Start-Up by nearly 70%. Surprisingly, Circular Design (19.7%) - surprisingly, because Circular Design is a recent innovation methodology for organizations with a high degree of maturity in innovation - and only

10% for TRIZ. Some open responses propose methodologies for project management (Agile) or operational excellence (Lean Six Sigma) as innovation methodologies.
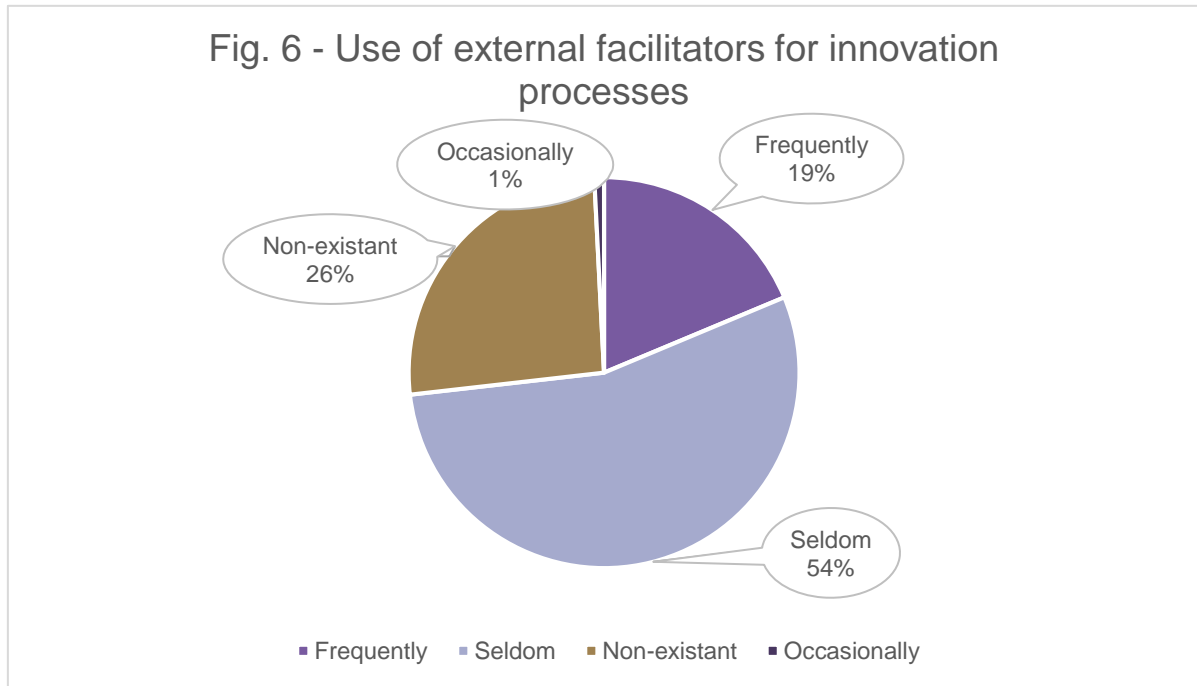
Regarding the application of known methodologies, Lean Start-Up detracts Design Thinking, with 48.5% saying they are using LSU versus 45.6 Design Thinking. Circular Design is maintained at a surprisingly high level (around 11%) while TRIZ is reduced to very low levels below 2%. Many responses list project management techniques again (Agile, Waterfall).

As far as external support is concerned- figure 5, organizations mostly resort to mother organization specialists, innovation consultants, and thirdly to academia, or join partnerships with other companies that are not competing.

Fig.5 - Use of external support for innovation

On the other hand, based on the results of the next question, figure 6, the use of external facilitators of the innovation process is non-existent in 26% of cases or very rarely 54.5%,
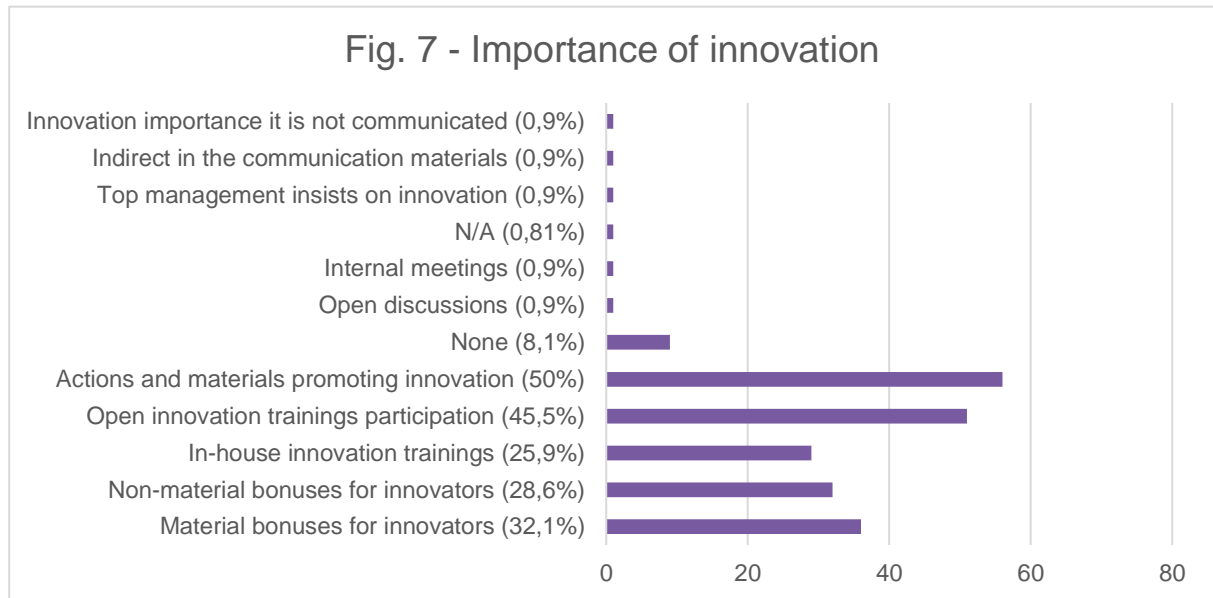
so over 81% of respondents do not usually use external facilitators of the innovation pro-

Fig. 6 - Use of external facilitators for innovation processes

cess.

The conclusion of the analysis of these answers is that on the one hand the respondents know the existence of innovation methodologies - so there is in their mind the idea that the innovation process could be organized on the basis of a methodology, which is a positive premise. Also, the fact that organizations do not currently use external facilitators of the innovation process can also be seen as an opportunity for consulting in innovation management.

With regard to how organizations are innovating, it is interesting that organizations claim that the main form of innovation is new products based on customer needs (54.5%), but only 48% say they frequently analyse customer needs, the vast majority of organizations state that the generation of ideas, their selection and evaluation are the main activities of the innovation process. Much less goes to fast prototyping or MVPs; therefore probably the most often the innovation process does not end with tangible results.

Fig. 7 - Importance of innovation

In terms of communicating the importance of innovation, "propaganda" appears to be the main mechanism, through materials and actions promoting innovation, to the detriment of innovation training programs. However, it is worth noting the availability to send specialists to open programs outside the organization. Systems of material and non-material bonuses for innovation are also present in one third of organizations, contributing to communicating the importance of innovation.

The following questions tell us that organizations focus more on internal innovation projects or on internal R & D activities and less on the acquisition of technology or innovation outside of the organization. Approximately half of organizations are considered more innovative than competitors, and 62% of organizations say they have initiatives to transform organizational culture into innovation. This figure (62%) is rather a surprise for us, but we will rather consider it in the area of intent, thus reflecting the opportunity to provide organizations with tools and methodologies to support organizational culture towards innovation.

25.4% of organizations patent in the EU, below 10% in Romania and about 7% in the US. However, an important percentage, of nearly 57%, does not initiate any kind of action towards patentability. This result throws an interesting light especially on the statistical data from Romania, where it is stated that the number of patents is very low; in fact, the number of patents generated by specialists in organizations active in Romania is not necessarily low but they do not consider it useful to patent in Romania.

5 HUMAN RESOURCES; QUALIFICATION, STRUCTURE, BONUSES – RELATED TO INNOVATION

The third part of the questionnaire attempted to capture the treatment applied to the human resources of organizations in the context of innovation. Innovation is found in people's minds, and therefore the way this inexhaustible resource is handled can provide an indication of ways to act to boost organizational innovation capacity.

In general, the responses to the questionnaire are positive about the HR function of the organizations questioned: there are concerns about knowledge management, teamwork, companies are able to attract valuable employees, and companies also support employees' creativity (about 58% of respondents). Employers have access to sources of scientific information, the importance of innovation is clearly communicated, and the organization implements programs to determine a culture of innovation (over 51% of respondents). Work-life balance is respected and the company focuses on people's development. The questioned organizations effectively use their internal talent for innovation.

To a large extent, the experience of how the HR function of the surveyed organizations manages the human resource is positive. However, from the questions that analyse the impact of human resources policies on innovation, the following areas could be highlighted in the treatment of human resources in the context of innovation:
-   Participation of innovation specialists in innovation networks is rather deficient, this being a potential for both collaboration with specialized organizations and for collaboration with the academic environment,
-   the systems for stimulating innovation are deficient or non-existent,
-   frequently, existing organizational structures do not favour innovation,
-   organizations do not sufficiently exploit the potential of people in organizations and do not encourage the risk associated with innovation activities (only 42% of respondents are satisfied with this).

6 CONCLUSIONS

In most organizations, innovation exists as a statement of vision, strategy, values but is often not measured, which can lead to questions about the efficiency of the approach. And this is consistent with European Innovation Scoreboard 2018, where Romania is mentioned as a Modest Innovator. We can therefore conclude that there is plenty of room for improvement.

According to the CB Insights, State of innovation report, almost 85% of the respondents (from 677 strategy leaders) said innovation is very important for a company. Organizations are known to have different methodologies of innovation, with Design Thinking first - yet innovation is rather empirical. Even if innovation is present in vision statements and strategic objectives, there is no explicit allocation of management resources for managing innovation processes, and outside specialists (consultants, academia) are involved at a reduced frequency.

When asked for the CBI report, respondents from high performing companies were far more likely to respond that innovation was centralized in upper management — particularly with the CEO.

In the process of innovation, the stages of analysis and prototyping are much less "popular" than the stages of idea generation. Also, the physical premises for carrying out the innovation activity are missing most of the times. Also in the CBI report, 57% of respondents stated their companies do not follow formal innovation processes.

Organizational culture is perceived as an important factor in innovation, but actions to influence organizational culture in the direction of innovation are merely declarative. HR departments correctly address several components of innovation such as attracting valuable specialists and teamwork, but do not stimulate or motivate employees to take on the inherent risks and sustained effort needed for innovation processes.

As a general conclusion, in Romanian organizations there exist a desire to innovate and in most of them there are also many positive premises to do so. Management is also aware of the importance of innovation. Still, innovation is made unstructured, discontinue and unsustainable. It is imperative to provide organisations methodologies, tools and instruments in order to turn this innovation desiderate into a structured activity with tangible, sustainable results. This could be a subject in which academia, consulting industry and business sector could cooperate in order to support its development.