

Human Resources in the Drive Towards Creativity and Organisational Innovation

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Innovation is the cornerstone of competitive advantage. For this, it is necessary to adopt the practices of a range of measures which lead to entrepreneurial re-structuring. This emphasizes the measures of change within the different components of the organisation, as well as implementing an innovative culture based on quality which will be broad ranging and affect all aspects of the organisation. In this way, entrepreneurial flexibility has to be based on the creative individual and views that intelligence is the major ingredient of bringing about flexibility. With these new attitudes, policies and practices the innovative organisation neutralizes obsolete processes and products focusing instead on its potential. Therefore, in this quest for excellence, new core competencies have to be sought after. These must take into account all employees and not only those whose technical or conceptual competencies are more visible. However, due to the constant and abrupt economic, social, technical and technological changes seen in the entrepreneurial contexts, it is vital to question what type of flexibility is more easily adaptable to the systems of constant change. Therefore, there are some pillars which are vital for these foundations, namely, commitment, tolerance, involvement willingness to take risk, all of which will ensure these organisations are more complex and less bureaucratic.

1. Introduction

Economic globalisation as well as the dissemination of new technologies has created a direct and indirect impact on both the life cycle and dynamism of organisations. Nowadays, this impact is much more unpredictable, turbulent and buoyant. Within this context, organisations will need to adopt a new lifestyle philosophy. In order to identify new sources of competitive advantage most organisations need to revisit their mission and objectives, at both strategic and operational levels.

Organisations require to redefine their behaviour in order to fight obsolescence of their competitive advantage within this constant evolution of both contextual and transactional environments. This behaviour should be more decisive and pro active, in so far as listening to the client and the competitor as well as in conceptualising and adopting new management paradigms. In this way, client satisfaction, scanning the competitive environment, revisiting its ethical values and implementing an innovative culture from within the organisation, are all sources of inspiration and sustainable creativity of organisational innovation.

Nowadays dynamism and company longevity are threatened by the contextual and transactional environments which, as the economic globalisation evolves, become ever more buoyant, turbulent and unpredictable. However, this process can be slowed down or stopped by the adoption of entrepreneurial behaviour which is

more decisive, namely, listening carefully to the client as well as to the competitor. Such listening is in turn linked to innovative behaviour. Nevertheless, on the whole companies tend to ignore the importance of listening and fail to see its economic and social value.

This paper will reflect upon organisational behaviour, culture and values so as to compare the traditional organisational paradigm with the new paradigm, i.e. of dynamic vocation, evolutionary and transforming just as the new organisation theory professes it to be. The aim of this paper is to highlight the importance of entrepreneurial dynamism which fosters innovation as a way of being and sees the intangible resources as the new source of creating sustainable value. Three organisations located in the North of Portugal will be analysed.

This paper is essentially concerned with new technical trends adopted by successful companies. Therefore, the paper will begin by contextualising various concepts related to organisational culture and innovation. Thereafter, a reflection will be made upon the reality of three Portuguese organisations located in the northern region of Portugal based on this theory.

2. Knowledge management

There is a need to adopt a new management paradigm, i.e. "knowledge management paradigm". Knowledge management, according to Carter and Scarbrough (2001) is related to the frailties and vulnerabilities inherent in the

organisational competitive advantages. In the recent past, organisations failed to have sustainable characteristics absence of knowledge management paradigm. In this way, knowledge management is a practice (Halawi, Aronson and McCarthy, 2005: 75) and can be defined as “the way in which knowledge is created, shared, distributed and utilised in order to attain organisational objectives” (Serrano and Fialho, 2005: 4). However, it is not simple to offer a definition of knowledge management. In addition to the complexities of the issues involved therein, it has also been the target of various interpretations. However, knowledge management also allowed for catapulting different elements within the organisation, namely, at structural, social and human levels (Seemann, cited in Halawi, Aronson and McCarthy, 2005).

Knowledge management strategies entail two approaches, i.e. codification and personalization. In codification, databases store codified knowledge allowing for easy company access and use (Hansen et al., 1999: 107, cited in Carter and Scarbrough, 2001). Personalization reveals that knowledge is inherently linked to the person who developed and shared it. Unlike the economies of the past, current organisations are more exposed to international competition. In this way, the need arose to identify and privilege other sources of competitive advantage. Consequently, according to Serrano and Fialho (2005: 4), knowledge management can be seen as the convergence between the bureaucratic organisational culture and information technologies which it uses. Due to this mutation of cultures as well as the behaviour of organisations, the notions of knowledge employee, learning organisations, and organisational learning all gain much more consistency and more relevance in the everyday occurrences within an organisation. Furthermore, Carter and Scarbrough (2001) corroborate that knowledge management may take various forms, namely, (i) intellectual capital; (ii) knowledge assets as well as (iii) workplace and organisational learning. Indeed, knowledge is considered the only meaningful economic resource in the knowledge society rather than capital or labour. Senge (1990) maintains that organisations cannot function as knowledge-based organisations because they suffer from learning disabilities. Therefore, it is believed that companies must innovate or else they will perish. Furthermore, Rowley (1999) posits that the core competency enabling organisations to survive, resides in their ability to adapt, learn and change. For Yang (2003:242), knowledge and learning are attributed a new conceptual framework in that “(h)olistic theory defines knowledge as a social construct with three distinctive and interrelated facets—explicit, implicit, and emancipatory knowledge.” Emancipatory knowledge is based on motivational levels, feelings and emotions towards the external circumstances surround-

ing the individual. Implicit knowledge is based on the individual’s experiences, actions and behaviour. Explicit knowledge is codified knowledge which arises from the individual’s interpretation of the event. These three facets are holistic in that they are both contradictory and complementary to each other.

Client satisfaction is a permanent source of inspiration for entrepreneurial innovation. Both the client and/or consumer are a touching stone in the innovation process. In this way the new economy based on knowledge has also taken this fact into account. Even though in this respect innovation depends more on the market comparatively speaking to any other type of innovation (Drucker, 1998).

3. Entrepreneurial organisational culture and innovation

Within the economic globalisation context, the process of constructing competitive advantage, is turbulent, unpredictable and rapidly changing, thus demanding that organisational senility be eradicated. This perspective leads to the transformation of entrepreneurial organisations, which according to Santos (1997a:6), can in turn be lighter, more flexible, cooperative and sensitive to organisational culture and “the values of an organisation are essential to the creation of organisational identity through a sharing culture” (Santos, 1998:244). The adoption and sharing of these values and trends are at the root of the eradication of organisational senility and can also be regarded as the seed for innovation. In view of this, the production and management of this entrepreneurial organisational culture fosters a feeling of identity. This creates distinctive organisational characteristics. This culture creates homogenized behaviour patterns which arise from different group elements and thus produces strong interactions and interdependencies (Schein, 1997a, 1997b, 1997c and Daft, 1999). Furthermore, Schein (1997a) proposes an integrated model to relate different variables, among which learning and organisational culture are viewed as the base for organisational success.

It is within this change perspective based on intangibles that Stata (1989) sets forth the idea that the only sustainable source of all competitive advantages is rate of organisational learning. Although, Haas and Hansen (2005) insist upon the use of coded and personal knowledge as these view the existence of a direct relationship between knowledge, gains and competitive advantages (Handzic and Chaimungkalanont, 2004).

The business world currently accepts that business quality depends on the quality and characteristics of

its employees which, in turn, leads to business excellence. Competition is rife and, is often, disloyal arising from instability in market conditions, namely at the level of surplus capacity of world production. Such a situation, and parallel to that market, provokes deep alterations at the behavioural level, both for the producer and the consumer.

Various issues which warrant reflection have arisen in the literature and these are linked to the structure of those pre-requisites which lead to organisational success. In this regard, the debate revolves around intensive goods within knowledge which result from innovation, but which also lead to new innovation processes. This perception considers innovation as a guarantee to business success, although, despite the application, production and diffusion of knowledge, the alteration characteristics of demand and investment patterns are strategic for both the implementation and success of innovation processes. In this way, organisational success and longevity include the capacity of offering the client a product adequate to the clients' needs. In this regard, Peters and Austin (1988:159) highlight that competition is seen as "the continuous engine for innovation" although Freire (1995) regards competition as engine for development. In these perspectives two non-coincidental, although complimentary parts, can be identified converging towards organisational development processes. Furthermore, it is understood that competition is indeed important when implementing innovation policies.

Within a different perspective, Hamel (1998b) is fully aware of the importance inherent in both quality and globalization; he emphasizes the turnover of those variables and highlights a different one which is related to the 'revolution' in the fundamental changes within the context of a new business paradigm. Hamel further corroborates that one has to bet on differences seeing that "in this unstable world, the main challenge is not to achieve productive efficiency in capital intensive industries but instead to free innovation power in creative intensive industries" (Hamel, 1998a:47). In this way Hamel (1998b) corroborates that visionaries are worthy of analysis. The contemporary world does not adhere to fortuitous situations and that innovation does not result from isolated geniuses but instead from activists inherent in organisations. In order for these to be genuinely different, innovation needs to be regarded as an added value and also as a source of value. The classical paradigm, i.e. the top-down approach is considered as planned change. This approach has mostly revealed to be unsuccessful as lower-level managers were not included in the change process. The bottom-up approach to change, also known as "systems/quantum paradigm"

(Druhl, 2001:382) is centered on the living-systems approach. This approach is based on the individual learning and social interactions prevalent in organisations. Furthermore, in this systems/quantum paradigm organisational change strategies nurture the individual's ability for self-discovery, enhance communication and encourage teamwork.

Schein (1997a and 1997b) emphasises the importance of cultural change and believes that the sharing of pre-established "suppositions" in organisations may lead to such objectives and may thus create cascades of innovation. Mejía (2000) concurs with this set of ideas and further highlights that organisational culture is a way of cultivating human knowledge from which one can establish the capacity to mould individual behaviour in favour of a common goal through sharing of the same technology, language, rules, knowledge, sanctions and compensations. Within this line of thought, Barros (2003) postulates that organisational culture is a source which controls and conditions human behaviour. Thus, Barros focuses on the concept of organisational behaviour, viewing it as an activity that studies the way people behave, including how to predict, understand and monitor their behavior. We believe that this reality leads to an imposed conditioning on group elements. Rego and Cunha (2003) further corroborate that organisational culture is a strong factor influencing both employees' behaviour and motivating them to be creative and innovative.

Notwithstanding the importance of the abovementioned viewpoints, it seems that competitiveness is based on productive gains. Thus, industrial policies have been object of various analyses and it is assumed that "doing by knowing" alone does not guarantee business success. In this way, sustained competitiveness is based on dynamic factors which, Maximiniano Martins (1998:165 and 1997:69) regards as "not directly productive, such as design, quality, energy, environment, research and development, strategic marketing, internal organisation, health and safety, human capital, innovation, technological context, product differentiation". This author further highlights that the industrial policy, in its aim to modernize the business sector, should be proactive. Thus, there is a need to aid the construction of infrastructures to support industrial development, namely at the level of human resource development, creation of technological schools, diverse support services to industry and the creation of various entities offering scientific-technological support. Thus, taking into account the devaluation of "knowing-doing", Maximiniano Martins (1998: 165,6) is in favour of an interdependence between productive and societal systems, through "its increasing immaterial and knowledge

intensive strategic base” and is in also favour of an “economic intelligence” as a form of responding to structural vulnerability. Although Oliveira Martins (1998:230) corroborates with opinion of Maximiniano Martins, the former believes education and industry to be two fundamental variables to re launch competitiveness in Portugal. In this way, Oliveira Martins further believes that to “educate is to awaken autonomy and responsibility, but it also leads to actively respond to the creative social needs”. Thus, taking into account the economic changes which are occurring in the labour market, investment in education needs to be strategic and should be followed by quality parameters, motivation factors and mobilization, factors which are conducive to economic and social cohesion.

4. The primary data analysis and discussion of findings

In order to integrate and relate the organisational context to its competitors, organisations necessarily are required to aim at satisfying the client; in so doing, the focus should on the drive towards achieving innovative behaviour.

This article will reflect on the findings gathered from three Portuguese organisations which are part of the traditional transformation sector. These organisations have different dimensions but are still considered Small and Medium Enterprises (SMEs). The organisations in this analysis are referred to as “Case A”, “Case B” and “Case C”. Case A belongs to the traditional textile sector, whilst Cases B and C belong to production and sales of spares in the Motorcar Industry. Their dimension is two hundred and sixty (260) employees, forty-two (42) employees, fifty-one (51) employees respectively. The sample incorporated all employees. The response rate of valid questionnaires can be broken down into 74%, 66,6% and 43% respectively.

In the abovementioned organisations, the sample entailed all the employees as the objective was to carry out of the cross section analysis thereby assessing the perceptions thereof. Thus, after gaining permission from these organisations, the authors placed the questionnaires personally at these organisations and in turn a employee from each organisation was responsible to distribute the questionnaires accordingly. However, the response rates obtained (valid questionnaires can be broken down into 74%, 66,6% and 43%, “Cases” A, B and C respectively), not all employees completed the questionnaires distributed. Moreover, despite this response rate, the wider collaboration efforts on the part of the administration employees

demonstrated their involvement and responded to our needs. The data gathered and included in this paper, were analysed using SPSS.

One of the questions asked was related to identifying the organisation’s employees, according to the age group, with the objective of ascertaining how many employees were part of the Design, the R&D and also the Sales/Marketing. The responses are summarized in the following table:

Table 1: Employee Roles in the organisations (May 2006)

EMPLOYEE ROLES	Case A (%)	Case B (%)	Case C (%)
Top management employees	0,00	14,29	9,09
R&D/Design/Research	1.08	0,00	0,00
Middle management	1.61	7,14	4,55
Administrative employees	3.22	10,71	18,18
Commercial/Marketing employees	1.08	3,57	54,55
Manufacturing employees	93.01	64,29	13,64
Low skilled employees	0,00	0,00	0,00
Total	100,00	100,00	100,00

Reflecting on the table above, we ascertain that Case A organisation merely allocates 1,08% of its total employees to Commercial and Marketing and R&D/Design/Research. On the other hand the other organisations which are smaller, allocate 0% to R&D/Design/Research, whereas they allocate 3,57% e 54,55%, to the Commercial and Marketing employees, these percentages are higher than those within the same scale, in Case A.

If we exclude the organisation in Case C which is concerned with both producing as well as marketing its products, hence the high percentage of people allocated to Commercial/Marketing sectors; all the other organisations exhibit low figures. On the other hand, Case A

demonstrates 1,08% for R&D/ Design/Research, whereas the other organisations totally neglect these figures. Such behaviour seems to be totally out of line seeing that nowadays competition is ferocious and organisations need to improve their performance in the realm of Marketing, R&D as well as Design. In this way, implementing change and creating an organisational culture which lends itself to knowledge management which induces the diffusion of technologies and feeds innovation seems to be simple. However, if we compare the concern organisations have regarding their number of employees in top management, middle and administrative functions, larger organisations (Case A) are less concerned with this issue than the smaller organisations. The opposite occurs for the low skilled and manufacturing employees who are greatly valued by their large organisation, the opposite happens for the others.

In reflecting upon the figures obtained, Case A is part of the textile industry and relies heavily on intensive labour. The other organisations are concerned with the production and selling of automobile spare parts. Despite the fact that these also rely heavily on intensive labour, they have both different behaviour and needs when it comes to management and administration as well as different policies of focussing on their internal and external clients. These policies seem to be in opposition to the new principles of the new management paradigms, namely the “knowledge management paradigm”. Seeing companies are exposed to international competition and towards the proliferation of new technologies which, in turn, shorten products’ life cycles, their competitive advantage may not be sustainable. In this way, given the fact that companies insist on following strategies that are not related to knowledge economy, their survival seem to be difficult as it can be shown in the financial results.

In view of such assertions encountered, there are great contradictions between the theoretical postulations and the everyday reality of companies. This organisational feeling may be the result of a less flexible organisational culture, one that is more autistic to ethical values, and not aligned with a culture of learning, where tacit knowledge is the pivotal element in the usage and energising the production factors. This paradigm impedes change of organisational perceptions and thereby not allowing the intangibles to be seen as a new organisational force as well and as new core value sources of sustainable wealth. Turbulences, vulnerability and unpredictability of the market competitors do not adhere to rigid organisational guidelines. The strategy of intensive labour and low salary costs is in direct contradiction to the current market demands because they do not create a consistent base for organisations and thus condition their longevi-

ty. However, the lower the internal dynamism which can be considered as one of the organisational frailties, cannot be held accountable by the older employees, as these are still considered to be young, and which are within the age group between 22 – 35 years. Moreover, the employees in the organisation - Case B, are all the same young age group or below. In turn, Case C has 8,6% of young employees whilst 32% of the employees are in the age group of 35 – 55 years old.

5. Conclusion

Currently, the intangible values are the pillars of the organisational competitive advantages and are positively related to the performance of employees. This performance is however, dependent on the democratic organisational culture, the ethical principles and the implementation of the new cultural values of the organisation. Nevertheless, the main and essential input fostering competitive advantages resides in the brains of individuals whose cognition capacity needs to be exercised through continuous learning and transversal knowledge as these are the main ingredients for creative sustainability. However, the majority of economic agents continue to overvalue information technologies material investment. On a daily basis these agents also display some ignorance about the real dynamic competitive factors, which reside within the intangibles. Thus, these agents are incapable of recognizing that personal knowledge, associated to organisational knowledge, is an additive for both its performance and competitiveness. This seems to also be applied to the organisations in this analysis. Consequently, a change in the organisational paradigm is hampered; it is also difficult to perceive the strategic value knowledge has both in its usage and in its diffusion. Consequently, the innovation climate and a more entrepreneurial spirit of both employers and employees is not cultivated; the leap that organisations need to take in their search for strategic knowledge domain, namely at the individual level, continues to be postponed which thus blocks the organisation’s sustainability because it underutilizes its existing resources, namely at the level of intellectual capacity of employees. Therefore, it seems there is a need for attach greater importance to the intangible values in the organisation and harmonizing these with the tangibles in view of their capacity to expand, project and to form the foundations of organisational performance. This is achieved through synergies which are being created. When variables such as competition, client and the business innovative spirit are appropriately blended, they are considered the foundations for organisational longevity. However, the organisational cultural heritage is thwarting the paradigm change and dependency on the old paradigm is jeopardising the organisations’ longevity.

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