

PERCEPTION OF THE ROLE OF THE HUMAN FACTOR BY THE MANAGEMENT IN INNOVATIVE ENTERPRISES

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Abstract:

Nowadays enterprises build their competitive advantage by introducing innovations and investing in the human capital. There are a lot of factors which determinate innovativeness of enterprise, but enterprise innovation is significantly influenced by leaders' perception. The aim of article is to assess perception of the role of the human factor by the management in innovative enterprises. This paper presents results of a study conducted in 81 innovative enterprises which in the years 2010-2012 implemented at least one innovation. Enterprises participating in the study have revealed user-driven innovation where the major role is played by clients. The human factor has however, also been regarded as the key factor in developing enterprise innovation. Results of the conducted study have shown that human factor plays the key role in the strategy of enterprise and leadership in enterprises is people- and relationship oriented, but communication of significance of innovation to employees is on average level in surveyed enterprises. Significance of the human factor for the management has also been confirmed by indicating high potential revealed by employees of the enterprises as the key driver determining enterprise innovation.

Keywords: management, innovation, human factor

1. INTRODUCTION

While competitive advantage still depends on the amount of or the fact of having specific assets, it has been widely believed that companies which will be able to mobilize knowledge, technology and experience, as well as to offer novelties (goods and services) or innovative methods that create them and reach clients with their offers, will be in a superior position¹. Unique use of tangible and intangible resources leads to improvement of the market position of an enterprise. G. Hamel and C.K. Prahalad claim that the core of all successful strategies is a proper use of resources². One of the factors determining competitiveness and success of an organisation is innovation, which has been referred to by many researchers (McAdam and Koegh, 2004; Edwards et al., 2005 quote from: M. Smith 2008)³, p. 656). In the literature, it is emphasized that an enterprise builds its competitive advantage by exploiting a wide area of knowledge, introducing innovation and by investing in the human capital⁴. What is more, a study conducted by McKinsey Quarterly among senior executives from corporations representing different sectors of the economy have shown, that over 70% of them listed innovation as one of top three drivers of growth in their companies⁵.

Literature review points to numerous elements determining an innovative enterprise. According to J. Dyer, the DNA of an innovative company is composed of three drivers: proper people, processes and philosophies, that are components of the organisational structure⁶. The fact that innovation is a process has also been emphasized by J. Tidd and J. Bessant who claimed that it is useful to develop a simple model helping to focus on key aspects of challenges related to innovation management. C. K. Prahalad and M. S. Krishnan claim that business processes are the core of organisation and that they should be developed and flexible to enable functioning of all innovation cultures.⁷ Common vision, leadership, willingness to be innovative are emphasized by F. Hesselbein, M. Goldsmith, R. Beckhard⁸. J. Tidd and S. Isaksen argue that successful innovation, change and transformation require an environment in which people are ready, willing and able to initiate and sustain change⁹.

However, considering conditions of the market-driven economy, it is people who constitute a strategic resource of a company, as they are the carrier of knowledge, they are the source of new ideas allowing to combat competition and solve emerging problems. According to P. Drucker, "while hiring an employee, we always hire a complete human being", therefore companies develop HR strategies intended to effectively use human resources in the organisation. Functional HR strategies influence effective implementation of general organisational strategies, and for this reason they should be integrated with them and constitute the essence of strategic human resource management.

2. ROLE OF THE MANAGEMENT IN INNOVATIVE ENTERPRISES

Enterprise innovation is significantly influenced by leaders' contribution to company achievements and performance, which is referred to by the upper echelons theory saying that decisions and choices of senior executives affect results achieved by the enterprise, depending on how they assess the environment, what strategic decisions they are making and how they support innovation. This is confirmed by results of the study showing that leadership influences company performance in 15%, and selection of a business strategy accounts for additional 35% of the success¹⁰. Summing up, company management influence company performance in nearly 50 per cent.

¹ Tidd J., Bessant J. (2011). *Managing innovation. Integreting technological, market and organizational change*. Wolters Kluwer, pp. 24-25.

² Hamel G., Prahalad C.K. (1994). *Competing for Future*. Harvard Business School Press, Cambridge Mass, pp. 141-142.

³ Smith M. (2008). *Factors influencing an organization's ability to manage innovation: A structured literature review and conceptual model*, International Journal of Innovation Management, Vol. 12, No. 4 (Dec. 2008) pp. 655–676.

⁴ Łosiewicz M., (2009). *Knowledge and human capital and competitiveness of enterprise in region scale*, University of Gdańsk Publishing, pp.129.

⁵ http://www.mckinsey.com/insights/innovation/leadership_and_innovation

⁶ Dyer J., Gregersen H., Christensen C.M. (2011). *The innovator's DNA. Mastering the five skills of disruptive innovators*, Harvard Business Review Press. Boston, Massachusetts, pp.167 – 173.

⁷ Prahalad C.K., Krishnan M.S. (2010). *New era of innovation*. PWN, pp. 41.

⁸ Hesselbein F., Goldsmith M., Beckhard R. (Ed.) (1996). *The Organization of the Future*. Jossey-Bass Publishers.

⁹ Isaksen S., Tidd J.: *Meeting the Innovation Challenge: Leadership for Transformation and Growth*, Wiley, 2006.

¹⁰ Bowman E.H., Helfat C.E. (2001). *Does corporate strategy matter?*. Strategic Management Journal No 22.

Formal authority in an organisation is guaranteed by the organisational hierarchy determined by the organisation and imposed on individuals occupying specific positions¹¹. According to Morris and Seeman, “leadership is activity set which influence conducts of the group.”¹² Burns on the other hand, says that “Leadership may be spoken of when due to the leaders, followers strive for objectives representing values and motivations mutually held by the former and for the latter, values of the leaders and values of the group and the organisation.”¹³ Yukl defines leadership as a process of exerting influence without resorting to compulsion, and its purpose may also involve determination of the group or organisational culture.¹⁴

Literature review shows that there is no single definition of leadership, however we may indicate that a leader is responsible for creation and implementation of a certain vision of an enterprise that reflects his views. Leadership is the ability to utilization the potential of other people and create talent, knowledge and skills so that they serve the implementation of increasingly difficult tasks of organization and new challenges. Today the task of the leader is to have a vision of the future and mobilization of employees to continue in this direction, which come from perception of the management.

Involvement of top management is the element appearing in all issues related to innovation, and the practical problem is its realization, so as to allow for displaying real aspects of involvement, dedication to a given cause, enthusiasm and support for the management. Attention should be primarily paid to involvement and dedication to long-term objectives and projects, as opposed to benefits drawn from fulfilment of short-term tasks¹⁵.

3. ROLE OF HUMAN FATOR IN INNOVATIVE ENTERPRISES

Concern about the “human side of innovation” and provision of favourable conditions for employees to innovate are based on subjective approach to employees, which becomes a prerequisite to enterprise innovation.

Based on literature review and considering the fact that people are a strategic resource of a company, and company executives who determine areas of operation are of key importance for their management, a research model was developed. The model is intended to evaluate the management in terms of their perception of the role of the human factor, which is made of three elements:

- leadership, i.e. extent to which the management is people- and relationship-oriented, as well as goal- and task-oriented,
- human resource orientation in the company strategy (focus on employee development, increasing employee involvement, acquisition employees' involvement),
- communicating the significance of innovation to employees.

Enterprises are guided by the traditional notion of leadership and by the fact that this gift is enjoyed only by some people, appointing “true leaders” as board members who are expected to lead enterprises through the hard times. However nowadays, attention is paid to the need to consider the full spectrum of aspects of leadership. Juxtaposing leadership and management is unproductive and makes no sense at all. While introducing innovation and transformations, we need both sets of abilities¹⁶.

At all level leadership should stimulate a vision of where the company is going. Researchers indicates that there are many conditions increasing the effectiveness of leadership, which include: personality, consistency in action and leadership style appropriate to the situation in the organization. It should be emphasized that leadership stems from the innate qualities, their skills and knowledge that he gained in practice, which allows leaders to convince others to achieve the objectives of the company. Based

¹¹ French, J. R. P., Jr., & Raven, B. H. (1959). The bases of social power. In D. Cartwright (Ed.), *Studies in Social Power* (pp. 150–167). Ann Arbor, MI: Institute for Social Research.

¹² R. Morris, M. Seeman, The Problem of Leadership: An Inter-Disciplinary Approach, *American Journal of Sociology*, no. 56, 1959

¹³ MacGregor Burns J. (1994). The Power to Lead in Power and Society, *Scholar Scientific Journal*, pp. 265.

¹⁴ Yukl G. A. (1989). *Leadership in Organization*. 2 Edition. Prentice-Hall, Englewood Cliffs, New York, pp. 5.

¹⁵ Tidd J., Bessant J. (2011). *op.cit.*, pp. 155.

¹⁶ *Ibidem*.

on a review of literature, we can distinguish the different orientations of the leaders. In the presented research model, the analysis concerned orientation of the management to people and relationships, as well as goals and tasks.

The leaders' assumptions about their roles, purposes, and behavior reflect their interest in completing assignments and getting the work done. Successful task-oriented leaders are instrumental in contributing in their groups' effectiveness by setting goals, allocating labor, and enforcing sanctions (Bales, 1958a). They initiate structure for their followers (Hemphill, 1950a), define the roles of others, explain what to do and why, establish well-defined patterns of organization and channel of Communications, and determine the ways to accomplish assignments (Hersey&Blanchard, 1981)¹⁷.

Leaders also differ in the extent to which they pursue a human relations approach and try to maintain friendly, supportive relations with their followers. Those with a strong concern are identified as relations oriented (Katz, Maccoby&Morse, 1950), concerned from maintenance (Misumi, 1985), or group maintenance (Cartwright&Zander, 1960; Wofford, 1970), concerned for people (Blake&Mouton, 1964), people centred (D.R.Anderson, 1974), interaction facilitative and supportive (Bowers&Seashore, 1966), interactions oriented (Bass, 1967b), employee emphasizing (Fleishman, 1957a), and in need of affiliation (McClelland, 1961). Usually associated with a relations orientation are the leader's sense of trust in subordinates, less felt need to control them, and more general rather than close supervision of the subordinates (McGregor, 1960¹⁸). The most innovative companies in the world have leaders who understand innovation at a deep personal level. They lead the innovation charge with a high discovery quotient and regularly contribute innovative ideas to the company¹⁹.

Development of a traditional enterprise management strategy exerts positive influence on managing innovation. Firstly, it allows to introduce innovation-based strategic, tactical and operational objectives to the general company strategy. This enables top-down forcing of innovation into an enterprise. Secondly, adoption of a functional strategy allows to determine necessary organisational procedures and structures, and above all to secure proper resources contributing to the growth of innovation in a company. This makes it possible to create conditions for emergence of innovation ("down-top forcing")²⁰. Strategies include change planning, in the implementation of which a significant role is played by HR departments. General strategies influence organisational structures, strategies for change and functional HR strategies that determine the method of personnel selection, systems of evaluating, remunerating, training and promoting employees. Strategies for change and HR strategies should therefore converge with the organisational strategy²¹. Most often, strategies are developed by company management. Just as it is the case with changes, which was confirmed by results of a study by E. Masłyk-Musiał, showing that changes in companies have been most often initiated by the management board (88.5%) and managers (32.6%)²².

According to F. Trias de Bes and P. Kotler, a company should inform its employees about strategies, projects, people ("heroes"), results of innovation and rejected ideas. What is more, company staff should have knowledge about a general innovation-related strategy, in order to be able to focus its efforts and ideas on proper objectives²³.

4. METHODOLOGY AND SURVEY RESULTS

This paper presents results of a study conducted in innovative enterprises which in the years 2010-2012 implemented at least one innovation related to products, processes, organisation or marketing²⁴. Participants of the 2013 study included 81 small, medium and large innovative enterprises from across Poland. The study took the form of a questionnaire given to the general management of the companies.

¹⁷Bass. B.H. (1990), *Bass & Stogdill's Handbook of Leadership: Theory, Research & Managerial Applications*. Free Press, pp.472.

¹⁸*Ibidem*.

¹⁹Dyer J., Gregersen H., Christensen C.M. (2011). *The innovator's DNA. Mastering the five skills of disruptive innovators*, Harvard Business Review Press. Boston, Massachusetts, pp.191.

²⁰Karlik M.(2013). *Managing innovation in enterprise. Exploration and implementation of innovative projects*. Poltext, pp. 82.

²¹Masłyk-Musiał E. (2011). *Strategic human resources management*. Publishing House of Warsaw University of Technology, pp. 36.

²²Masłyk- Musiał E. (eds) (2006). *Organization in motion*. Publishing House School of Management.

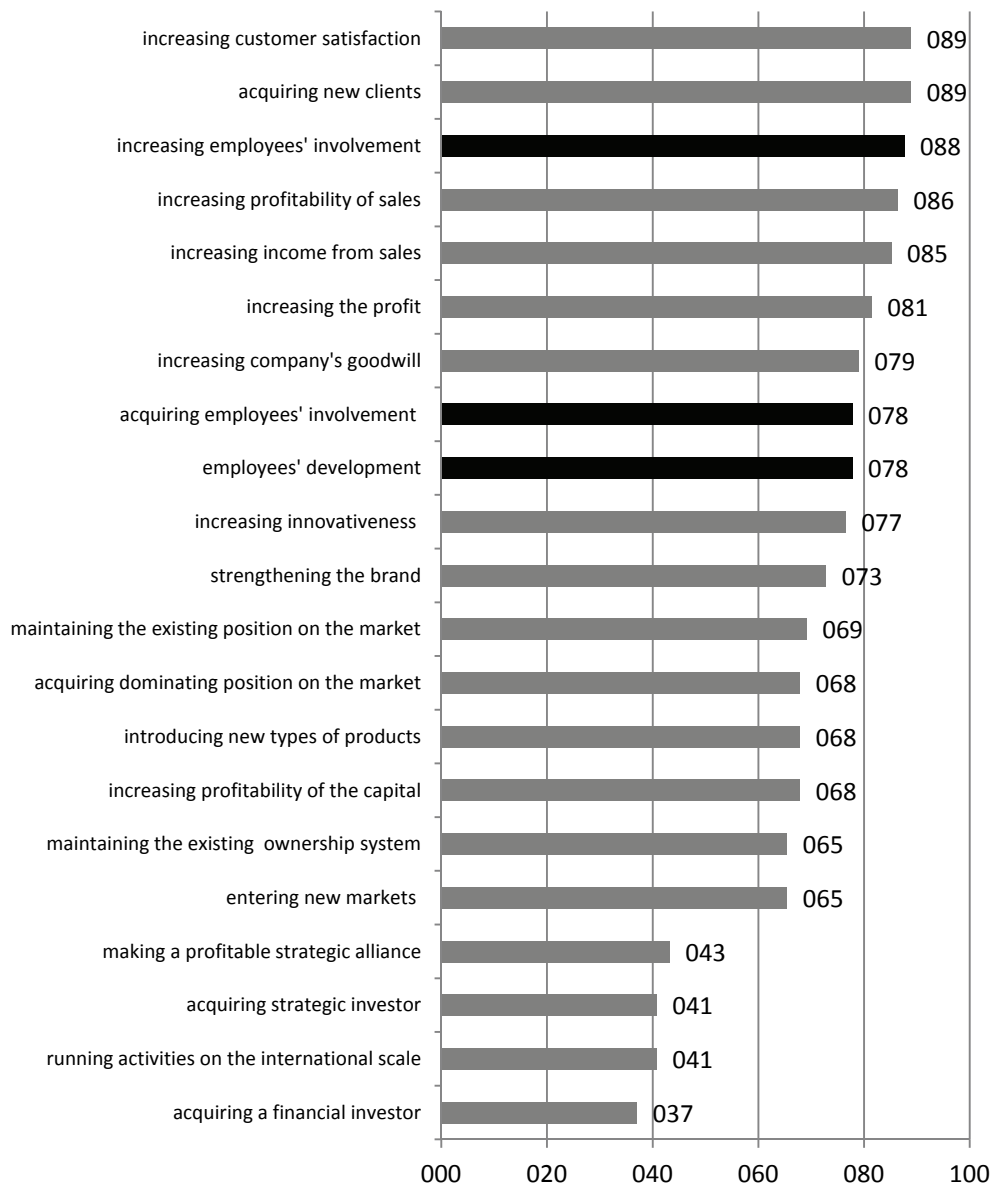
²³Trias de Bes F., Kotler F. (2013). *Winning at Innovation: The A-to-F Model*, Publishing House Rebis, pp. 264-265.

²⁴According to OECD methodology presented in the OSLO Manual. Guidelines for collecting and interpreting innovation data. Third edition. OECD. 2005.

Among companies participating in the study, leadership was strongly people- and relationship-oriented in 72.84% of enterprises, of which 35 strongly agreed and 24 somewhat agreed. Similar results were obtained for orientation on tasks and goals; leadership in the participating companies was strongly task- and goal-oriented in 72.84 % of enterprises, of which 32 strongly agreed and 27 somewhat agreed. The leadership in surveyed companies was strongly people- and relationship-oriented, as well as goal- and task-oriented depending on tasks.

Key importance in valid strategies of enterprises participating in the study was placed on increasing customer satisfaction and acquiring new clients, which is presented in diagram 1. However, the role of the human factor in the strategy was also appreciated by the management of the studied enterprises. In 88% of valid strategies of companies participating in the study, an emphasis was put on increasing employee involvement, whereas in 78% of strategies on increasing employee involvement and employee growth. What is more, in 69.14% of enterprises participating in the study, general strategy of the enterprise was coherent with the innovation strategy.

Picture 1: The main emphasis in the current strategy of the enterprise is put on such factors by the management.

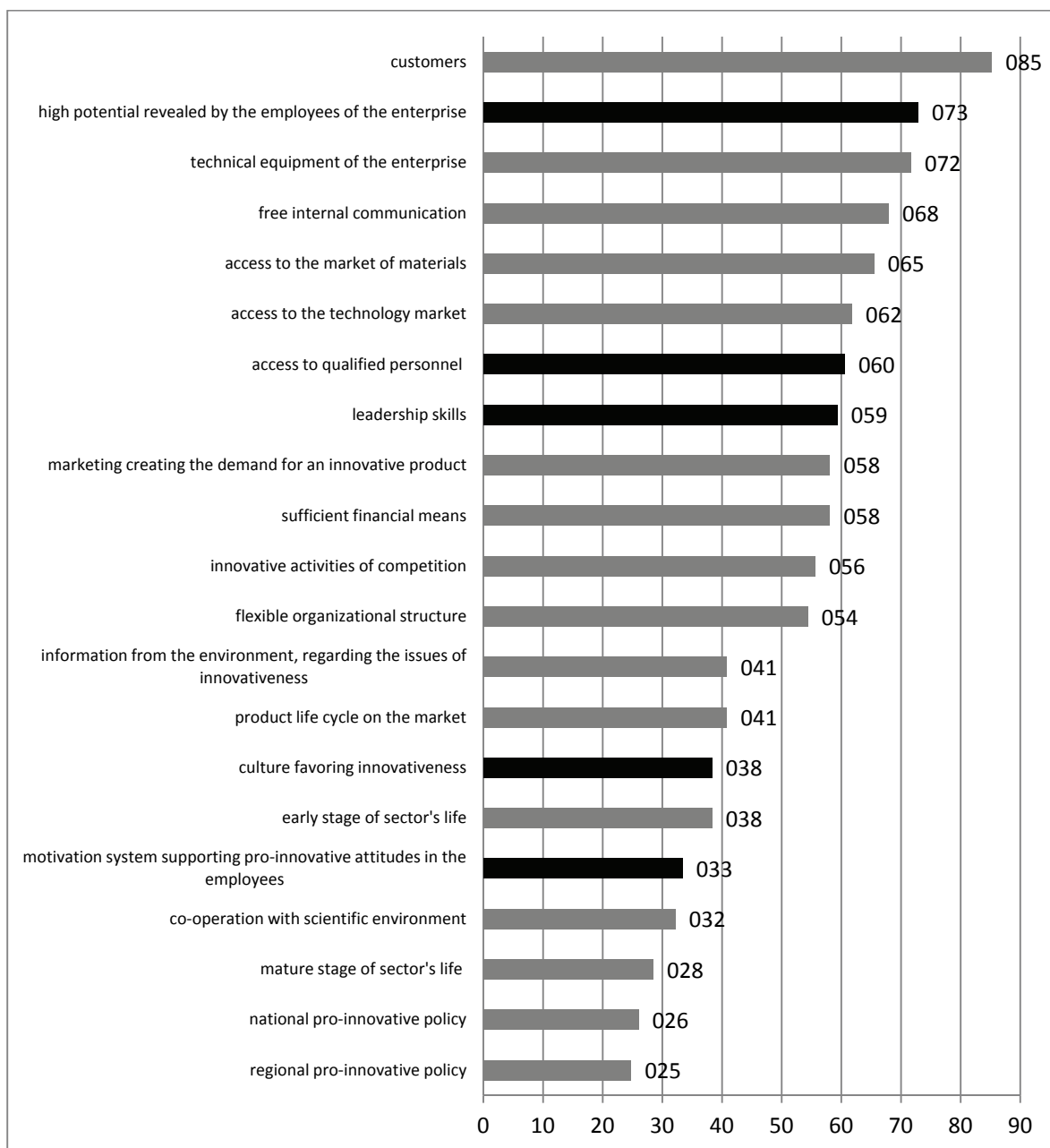


Source: author's own study.

Another analysed element was assessment of the extent to which significance of innovation is communicated to employees. Conducted study has shown that significance of innovation was communicated to employees in 60.49% of companies.

In order to verify views of the management on the role of the human factor in an innovative enterprise, the managers were asked about the factors which in their opinion determined enterprise innovation in the years 2010-2012. The study confirmed previous results, as 85% of enterprises participating in the study claimed that it was the client who determined innovation of their enterprise. The human factor has also determined enterprise innovation to a considerable extent, which is presented in diagram 2. Conducted study has shown that in 73% of enterprises the driver determining innovation was high potential revealed by the employees of enterprises, in 60% of companies it was access to qualified personnel, and in 59% leadership skills. Only every third enterprise stated that innovation was determined by an incentive scheme supporting pro-innovation attitudes of employees, and in 38% of participating enterprises this was the pro-innovation culture.

Picture 2: Factors conditioning enterprise's innovativeness in the years 2010-2012.



Source: author's own study.

Conducted study has shown that participating enterprises are characterised by user-driven innovation, that is involvement in innovative processes of a client as a co-participant. However, according to the management, the role of the human factor in innovative enterprises is also significant.

In order to ensure innovation of an enterprise, it is necessary to build an innovative environment whose structure and culture promotes innovation, and to specify vision in the organisational strategy. Literature review has shown a whole range of drivers influencing the level of innovation.

5. SUMMARY

Nowadays, competitive advantage of an enterprise is not only determined by the amount of possessed tangible resources, but by enterprise innovation. The key importance in the innovation process is played by people who are involved in this process. The management leading a company fulfils the key role in determining areas of action, as it is their views that determine the innovation process. Therefore, it is important to get to know the perception of the management about the human factor, which is the most valuable organisational resource.

Results of the conducted study have shown that according to the management, the human factor plays the key role in surveyed innovative enterprises. It is manifested in the strategy of enterprise where, the strong emphasis is put on increasing employees' involvement and also on acquiring employees' involvement and employees' development. The leadership in enterprises is people- and relationship oriented, but communication of significance of innovation to employees is on average level in surveyed enterprises.

Significance of the human factor for the management has also been confirmed by indicating high potential revealed by employees of the enterprises as the key driver determining enterprise innovation. Enterprises participating in the study have revealed user-driven innovation where the major role is played by clients. The human factor has however, also been regarded as the key factor in developing enterprise innovation.

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