THE IMPACT OF SME'S CREATIVITY ORIENTATION ON THEIR INNOVATION CAPABILITIES - REALITIES FROM THE WEST REGION OF ROMANIA

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Abstract: This article analysis the impact of the creativity orientation of a business organization from the Western Region of Romania on its capabilities to innovate in terms of products and services, respectively process. The current study is divided into 5 distinct sections: 1) the introduction presents the regional ecosystem particularities and the opportunity to carry out such a study at Western region level; 2) the presentation of theoretical aspects regarding the implications of creativity at the business level and regarding the different types of innovation; 3) the presentation of the empirical research methodology in which the data were collected from the SMEs in the region with the questionnaire; 4) statistical analysis of the data in order to be able to carry out a series of discussions on their results; 5) conclusions and potential future research directions. The present research aims to contribute to the current state of knowledge in this field, because the importance given to organizational creativity is increasing internationally. Moreover, this topic is of great interest at the national level, as a result of the multiple studies and analyzes carried out. The results of the study this shows us the positive and direct impact of an SME's creativity orientation on its existing innovation capabilities. The utilitarian character of the results of this research is justified by their useful ness for the actors involved both directly at the SME level, such as entrepreneurs or managers, and indirectly, such persons involved in regional ecosystem planning activities.

Keywords – creative economy; creativity oriented enterprise; product innoovation; process innovation

JEL Classification: M10, M20, O31

1. Introduction

In the current business ecosystem, creativity is an essential condition for a given company to be able to constantly innovate. The need for creativity is due to the changing nature of today's business environment. Thus, the set of practices and activities at the organizational level must be oriented towards creativity in order to ensure the adaptability of the business to its external conditions. From a business environment perspective from the West Development Region in Romania, there is a tendency to increase economic activities from a quantitative point of view, as a result of an increase in the number of SMEs in a four-year interval, from 2016 to 2020, with around 8.500 new companies established during this period (Chirescu & Pătărlăgeanu, 2022). However, it is also necessary to qualitatively increase the ways of managing the businesses in order to facilitate innovations, with the

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ultimate goal of achieving economic performance (Sumiati, 2020). At the scientific literature level, the increase of innovation capabilities is mentioned as being able to be achieved through a number of different ways, such as participation in networks (Hilmersson & Hilmersson, 2021), through the development of knowledge (Hervas-Oliver, Sempere-Ripoll, Boronat-Moll, & Estelles-Miguel, 2020) and by increasing creativity at the organizational level (Burkemper, Libaersa, & Sarooghib, 2015).

From a European perspective, organizational innovation is seen as one of the most important factors driving a company's performance (Leovaridis & Popescu, 2015).

The studies carried out at the national level highlight the importance of creativity in order to be able to manage the new problems and challenges that have arisen, as well as its benefits on the innovative power at the business level (Marin, 2007). Moreover, the positive impact of creativity and entrepreneurial initiatives also benefits business accelerators and incubators, clusters, hubs, as well as scientific and industrial parks from all of the 8 development regions in Romania (Hrib, 2018). Other research carried out at national level finds that creativity management is channeled at research and development departments level (in 33% of cases), around a product or service that needs to be innovated (in 22% of cases) or that management of creativity doesn't exist within the respective company (in 20% of cases) (Moraru & Popa, 2019). From an innovation perspective, a study carried out at the level of SMEs and start-ups finds that it is important to analyze the enablers (human and financial resources and innovation systems), the company's activities (investments, collaborators, intellectual assets), as well as the results (innovations themselves and generated economic effects) within the evaluation of the innovative capacity process (Onea, 2021).

As part of an analysis carried out at the regional level, it was found that there is a gap between the eight regions of Romania and the other regions at the European level in terms of innovation at the organizational level. In the analysis were taken into account public and private sector research and development expenditures, product and process innovations, as well as the collaborative nature of SMEs in terms of innovation activity (Albu, Popa, Simion, & Ștefan, 2018). This aspect highlights the opportunity to carry out the present research as a result of the importance of highlighting the regional particularities of SMEs, in terms of creativity and innovation capabilities.

2. Literature review

2.1. Creativity orientation of a business

The creativity orientation of a business organization is directly related to the concept of the creativity based economy. It refers to the set of practices involving human creativity, new digital technologies, knowledge and information.

The concept of creative economy is directly correlated with the transition from the industrialization of urban areas to the development of new businesses based on creativity. This process involves a decrease in the volume of exclusive industrial mass activities and an increase in businesses that use creativity in an intensive manner in their operational and strategic activities. Moreover, it can be observed that urban areas are reinventing themselves in a continuous manner, as a result of multiple paradigm shifts of the working class, as they tend towards jobs that capitalize on their skills and creativity. Thus, policies to support creativity must be encouraged, with increased attention on the methodology of their application and with the aim of increasing the innovation capacity of an urban area (Gibson & Waitt, 2009). Among other benefits of this transition is the emergence of economic organizations with a strong informal character, which are focused on creativity. They will have a

defining role, through the support of non-profit organizations and the university environment towards the formation of innovative clusters (Seifert & Stern, 2007).

However, a problem that often arises is the evaluation in an objective manner of creativity at the urban area level. As a result, the global creativity index was designed, which contains three variables – technology (the result of the creative process in the current digital era), talent (the process of attracting, training and retaining highly skilled labor in key professions), as well as tolerance (openness towards different groups of people with the aim of disseminating a high volume of ideas and knowledge) (Florida, King, & Mellander, 2015).

Regarding the creativity orientation of a company, at the research level it was identified that creative tasks have a low repeatability and in most contexts their results are difficult to anticipate given the fact that there are a series of variables that may appear during the course of the activity. Furthermore, the level of communication between team members performing creativity-based tasks must be higher than usual due to the unpredictability of creativity at the organizational level (Becker, Rosemann, & Seidel, 2008). The study of creativity in correlation with the level of trust within some business partnerships resulted in a partial confirmation of the hypothesis that states by combining the creative abilities of two entities, the level of mutual trust positively impacts the outcome of creativity, resulting in a higher creativity and work team creativity, the level of creativity of an individual employee has a direct and positive impact on the team creativity, but only in the context of a creativity oriented organizational environment within that company (Gong, Kim, Lee, & Zhu, 2013).

As a research result on the correlation between sustainability and creativity of a business, it was identified that in order to facilitate organizational sustainability from a creativity perspective, it is necessary to promote solidarity, continuously identify new opportunities for employees, increase their mobility and increase access to products and services of people from different cultures (Lauzikas & Mokseckiene, 2013).

In the context of entrepreneurship and innovation, seven succesive activities were found in the process of a creative idea generation - preparing the mind for creative thinking, the detailed investigation of the subject and the procurement of all the necessary information and knowledge, the comparative analysis of the information acquired by identifying similarities and differences, the conceptualization of a solid perspective related to the subject, the birth of the creative idea, the validation process and last but not least, the implementation of the creative idea (Kabucku, 2015).

2.2. Process, product and service innovation capabilities

The process, service and product innovation capabilities have been research priorities at the scientific literature level, given the fact that they have a high importance in the process of achieving competitiveness and organizational performance. Innovation at the business ecosystem level is based on the knowledge and information that a certain company manages to acquire from the external environment, in order to capitalize on it at the organizational level (Fang & Lewis, 2012).

The process of innovation from the perspective of urban policy makers was covered by Nilsses (2019) who identified four areas of application for innovation (Nilssen, 2019):

• technological (new practices in technology, services and products field) – practiced intensively in urban areas because it is the most accessible type of innovation. The openness to innovations based on the technology is due to the fact that most of the time they are composed of an incremental component. Thus, the innovations aimed at the economy carried out both by the public environment and by business organizations want to improve an existing structure and not to create something completely new from the beginning (incremental component);

• organizational (at urban organization or at a specific project level) – this type of innovation does not necessarily have a final result, such as a completely new product or service, but rather aims

at streamlining operations, productivity and process qualities. Through the implemented measures, this efficiency will ultimately lead to increasing the competitiveness of business organizations. The prominent approach within this scope is based on projects;

• collaborative (public-private networks and partnerships, the implications of the triple-helix model) – the collaborative innovation perspective mainly targets the public environment, but it is also applicable in the private environment. Innovation collaboration is found within urban institutions with a high degree of interaction within co-creative societies. The benefits of this type of innovation are multiple, as they increase the common advantages of the actors involved in the co-creation process. Open innovation is also found within this scope. Also, the implications of collaboration for innovation have a social value – social innovation for the benefit of people from vulnerable groups;

• experimental (urbanism carried out in an innovative way) – the aim is to involve citizens through the creation of urban living labs to facilitate the development of entrepreneurship initiatives and other forms of open innovation platforms.

From a process perspective, innovation is consisting of several successive stages, such as the creative process, the selection of potential ideas, their incubation and evaluation, implementation for testing, and continuous learning for the development of other innovations in the future (Pavitt & Tidd, 2011). From a national perspective, innovation in Romania is characterized by insufficient infrastructure, which limits innovation opportunities for companies (Prokop & Stejskal, 2017), while innovation is not sufficiently encouraged in smart urban areas at national level, with only a small part of them facilitating innovation opportunities (Butnariu, 2021).

From a regional perspective, the West Regional Development Agency wants to increase the innovation capabilities of companies in the four existing counties through a careful coordination of the regional strategic directions in terms of innovation and smart specialization, with the aim of ensuring a modern infrastructure and human resources capable of innovating.

Finally, from the innovation object perspective, there are two major typologies: process innovations and product or service innovations.

2.2.1. Process innovation capabilities

Process innovations are represented by the set of innovations whose objective is to create new ways to carry out certain activities at the organizational level, either with the aim of resulting in new functions that open new areas of strategic activity, or to improve different existing activities in order to facilitate the competitiveness of the company. This was researched at the scientific literature level from the perspective of the existing connection between the company's performance and the innovative capabilities at the process level (Hui & Rajapathirana, 2018), implications of process innovation from an ecological perspective (Horbach, Rammer, & Rennings, 2012) or from a technology perspective (Camison & Villar-López, 2014) and last but not least, from systems and managerial processes innovation perspective (Bernardo, 2014).

2.2.2. Product / Service innovation capabilities

Product or service innovations are represented by the set of innovations that aim to create new (radical innovation) or improved (incremental innovation) products or services with the final objective of ensuring the company's long-term competitive advantage. Within the scientific literature, the subject has been researched from several perspectives, such as that of innovation at the product level taking into account the sustainability of the environment (Dangelico & Pujari, 2010), analysis of the multiple existing solutions in order to achieve product innovations diffusion (Mahajan, Muller, & Peres, 2010), researching the capabilities needed to innovate the company's services (De Jong, Den Hertog, & van der AA, 2010), carrying out a study on the factors that lead to the success of the

product innovation process (Catalone, Eisend, & Evanschitzky, 2012), and last but not least, analyzing the correlation between service innovations and new digital technologies (Kao, Lee, & Yang, 2014).

2.3. The influence of an SME's creativity orientation on process, product and service innovation capabilities

The analysis of the influence manifested by organizational orientation to creativity on the innovation capabilities of a company was carried out from multiple perspectives at the scientific literature level. One of these is based on employee's perspective, thus demonstrating that ensuring employee performance has a positive impact on employee creativity, which ultimately determines an increase in innovation within the respective company (Huang, Gong, Liu, & Zhou, 2016). Moreover, from employees' work results perspective, it was observed that the results of the creative activities carried out by them generate company's products innovations (Khominich, Savina, Solodukha, & Stepanov, 2015). Moreover, it can be observed that an increase in creativity-based activities at the company level brings with it an increase in innovative capabilities and performance at business organization level. Moreover, business location has an important role in the creativity-innovation dynamic, given the fact that the location of a business has been identified as an intermediate variable in the process of achieving innovations based on creativity at the organizational level. Also, based on the results of the employees' work, it was observed that the results of the creative activities carried out by them generate products innovation at company level (Chapain, Clifton, & Comunian, 2010). From a comparative perspective, it was identified that the creative process is found at the basis of innovations, regarding the conceptual thinking and certain self-efficacy criteria, as a result of the fact that innovations require an "out of the box" type of thinking, as well as a positive attitude (Hendarman & Tjakraatmadja, 2012). Moreover, it could be observed that the benefits of an orientation towards creativity transcend the company level, as a result of the fact that they have a positive impact on a set of innovations at the regional level, an aspect that ultimately leads to the increase of economic performance of that region (Kratke, 2010).

Thus, as a result of the aspects stated in the previous paragraphs, the following research hypotheses are formulated:



H1. There is a direct and positive correlation between creativity orientation and process innovation capabilities at the level of an SME

Fig. no. 1 - The correlation between creativity orientation and process innovation capabilities

Source: Prepared by the author

H2. There is a direct and positive correlation between creativity orientation and product/service innovation capabilities of an SME



Fig. No. 2 - The correlation between creativity orientation and product/service innovation capabilities Source: Prepared by the author

Thus, the model of the present research is the one illustrated in (Fig. No. 3):



Fig. no. 3 – Research model Source: Prepared by the author

3. Research methodology

In order for the objectives of this empirical research to be fulfilled, a quantitative research was carried out. The data from the business environment were collected through the questionnaire, which was the research instrument. The questionnaire was sent to 1200 SMEs, exclusively from the urban areas of the Western Region of Romania (Timiş, Arad, Hunedoara and Caraş-Severin counties). The activity domains of the companies were represented by production, trade, construction, real estate development, software development and consulting. The questionnaire was intended for the general

managers and department managers of the respective SMEs exclusively, because it was desired to obtain a managerial perspective on this research subject. From the respondents point of view, the questionnaire was completed by 247 small and medium enterprises, which represents a consistent sample in correlation with the number of items related to this research.

Due to high efficiency and statistical power, Partial Least Squares Structural Equation Modeling (PLS-SEM) was chosen as the main data analysis approach, while the digital application through which the data were processed was SmartPLS.

4. Results and discussion

4.1. Research model reliability analysis

The analysis of the validity of the research model was carried out using the following indicators - Cronbach's Alpha, AVE, Composite Reability and Outer loadings.

Variabilă latentă	Variabilă observabilă	Acronim variabilă observabilă	Cronbach's Alpha	AVE	Composite Reability	Outer loadings
Creativity oriented SME	Creativity oriented organizational culture	CO – OC	0,924	0,767	0,926	0,912
	Creativity stimulation	CO – S				0,824
	Creative idea implementation	CO – I				0,883
	Creativity evaluation	CO – E				0,867
	Rewarding the creativity	CO - R				0,889
Process innovation capabilities	Technological process innovation	PrI – T	0,902	0,674	0,906	0,870
	Costs reduction innovation	PrI - CR				0,775
	Organizational work processes innovation	PrI – WP				0,739
	Eco-process innovation	PrI – E				0,820
	Inventory and internal logistics innovation	PrI – SL				0,855
	Managerial processes innovation	PrI - MP				0,858
Product / Service innovation capabilities	Product / Service range replacement innovation	PSI - C	0,867	0,654	0,872	0,854

Product / Servi range expansio innovation	ce on PSI – E
Product / Servi green range development innovation	ce PSI – Ec
Product / Servi Redesign	ce PSI – R
New products/servic development speed	PSI – S

 Table no. 1 – Analysis of the validity of the research model
 Source: Prepared by the author

Following the analyzes carried out regarding the feasibility of the research model, a Cronbach's Alpha coefficient and a Composite Reliability above the value of 0.7 were identified, considered to be minimal from the the scientific literature point of view (Dennick & Tavakol, 2011). The values of the 2 coefficients are 0.924 and 0.926 for the creativity orientation of an SME, while for the two variables that include the innovation capability of an SME, values of 0.902 and 0.906 are found for the process component of innovation at the level organizational, while for the component that looks at the direct implications of innovation at the level of products and services, we found values of 0.867 and 0.872.

Convergent validity is another high importance indicator for a research approach based on Partial Least Squares Structural Equation Modeling (PLS-SEM). The minimum allowed threshold for this indicator is 0.5 from the scientific literature point of view (Shrestha, 2021). In our case, the values are 0.767 for orientation towards creativity; 0.674 for process innovation capabilities and 0.654 for product / service innovation capabilities, which exceeds the minimul allowed threshold.

From the loads of the indicators related to the 16 items of this research point of view, all their values are above the minimum level of 0.7 allowed from scientific literature perspective (Hair, Ringle, & Sarstedt, 2012). As a result of the comparative analysis of the loadings, it can be observed that the highest values are found within the construct orientation towards creativity of an SME, with an average loading of 0.875 related to the 5 items of this construct, followed by those related to innovation capabilities process, with an average of 0.819 and finally those related to product / service innovation capabilities, with an average of 0.808.

So, it can be concluded that the research model related to this study has a high degree of coherence and validity at the level of all constructs and items.

4.2. Testing research hypotheses

As a result of the validation of the research model, the hypotheses of the present research will be tested. The p-values are presented in the table below, together with the values of the path coefficients for both of our research hypotheses.

Hypothesis	Path coefficient value	P value	Result
Creativity oriented SME \rightarrow Process innovation capabilities	0.833	0.00	Confirmed
Creativity oriented SME → Product / Service innovation	0.873	0.00	Confirmed

Table No. 2 – Testing research hypotheses Source: Prepared by the author

From the hypothesis results point of view, a p value of 0.00 can be observed within both hypotheses, an aspect that highlights their confirmation because the p value for both of them is below the maximum allowed threshold of 0.05 (Andrade, 2019). Thus, the creativity orientation of SMEs from the Western Development Region influences in a positive and direct way the innovation capabilities at the process level, as well as the innovation capabilities at the product or service level found among the small and medium-sized enterprises.

Moreover, as a result of the fact that both values of the path coefficients are close to the +1 value (0.833 for process innovations and 0.873 for product/service innovations), a positive and strong relationship can be observed in the case of both research hypotheses. Regarding the path coefficients difference of 0.04, it can be observed a slight inclination in favor of increasing product and service innovation capabilities, in detriment of process innovation capabilities, as a result of a company's creativity orientation.

Thus, it can be observed that an organizational culture oriented towards creativity, as well as the stimulation, evaluation, implementation and reward of creative ideas at the small and medium-sized business organizations level contribute in a direct and positive extent to the new innovations generation, whether we refer to those oriented towards the development of organizational processes based on efficiency, with a higher and ecological technology used and also those based on the new products and services development. Innovation at products and services level can be achieved either by increasing the speed of their development, the redesign of products and services, as well as the expansion, replacement and development of the ecological component of the product and service range.

5. Conclusions

The objective of this article was to identify the influence of an SME's creativity orientation on its innovative process, product and service capabilities at the business ecosystem level in the Western Development Region of Romania. As a result of the analysis carried out, both hypothesis 1, that demonstrates a direct and positive correlation between the orientation towards creativity and process innovation capabilities at the level of an SME, as well as hypothesis 2, namely that there is a direct correlation and positive relationship between creativity orientation and product/service innovation capabilities at the level of an SME, were confirmed.

The limitations of this study are based on the general perspective on innovations, as a result of the fact that it was not made a clear breakdown between the intrinsic character of the innovations related to this research, by delimiting those that only bring improvements (incremental innovations), compared to those that have a disruptive character (radical innovations).

Regarding future research directions, the following possibilities have been identified: carrying out a similar study to break down product, service and process innovations into radical or incremental, like it was stated in the paragraph above; taking into account a national perspective and doing a comparative analysis between of all of the eight development regions; analyzing the determinants of an SME's orientation towards creativity, as well as extending this research to the multinationals companies from Romania.

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