

# Competitiveness Through the Prism of the Culture of Innovation

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**Abstract.** The main goal of every business organisation in the modern world is to constantly increase its competitiveness in the conditions of constant change imposed by the dynamic business environment. The culture of innovation today is perceived as a key factor in increasing the competitiveness of both an organisation and an entire country as it reflects their ability to think creatively, flexibility, information exchange and perception of innovation. This paper aims to present the relationship between the culture of innovation and competitiveness in the context of Bulgarian organisations. It is indicated that the culture of society itself is important for the culture of innovation. Different value systems can be a prerequisite for the development of various innovation practices, which in turn could lead to good results in the innovation activity of the whole country.

**Keywords:** culture, innovation, culture of innovation, level of innovation, innovation activity.

## Introduction

### *Relevance of the article*

The main goal of every business organisation in the modern world is to constantly increase its competitiveness to maximise its profits in the conditions of constant change imposed by the dynamic business environment. Nowadays, the culture of innovation is perceived as a key factor in increasing the competitiveness of both an organisation and a whole country as it reflects the ability to think creatively and exchange information and perception of innovations. This defines the topic as particularly up to date.

*The object of study* is the culture of innovation as a key factor for competitiveness.

*Aim of the article* is to present the role of innovation culture for competitiveness.

In this regard, the following tasks are set:

1. To present the concepts of innovation and culture and their interrelation;
2. To define the role of the culture of innovation as a key factor for improving competitiveness;
3. To present the level of innovation in the EU Member States and compare it with that of Bulgaria.

### *Methods of the article*

The tools used for the study include the following methods:

- content analysis of a related publication base.
- analysis and synthesis, interpretation of information from specialised sites.

## 1. Theoretical part

There are numerous definitions in the literature explaining the nature and essence of innovation. They complement each other and form a diverse palette from the point of view of different authors.

The concept of “innovation” was first introduced in the early twentieth century by the Austrian economist Josef Schumpeter in his book *The Theory of Economic Development* (1911). In their book, Schumpeter and Carol describe innovation as “a critical measure of economic change and the creation of new combinations” (Vassilev et al., 2016).

Drucker defines innovation as a tool of entrepreneurship. Based on this statement, he concludes that the subject of discussion and presentation as an innovative practice can only be targeted innovation, based on analysis, the fruit of systematic and hard work. The author states that “innovation is not everything, but everything without innovation is nothing” (Yosifov, 2019).

According to other researchers, innovation is an organisational process that needs to be managed through specific tools and regulations. According to Drucker, innovation can only happen in the

organisational environment. The essence of innovation is the creation, perception and implementation of new ideas, processes or services (Dimitrova, 2018).

Some authors argue that innovation is an essential condition for the evaluation and successful development of organisations in the long run, as well as for generating competitive advantages for those of them who introduce it and carry it out. The main goal of every company is to increase its competitiveness by creating and implementing new products and services. (Tidd, 2001). The definition that OECD gives for innovation is that it is an application of a new or significantly improved product, process, or organisational method in business practice, in the organisation or their relationship with the external environment.

From the world economy point of view, innovations are successfully developed and implemented newness that has no analogue in the world. By newness, it is meant the introduction of products and services, processes and organisation (Agov et al., 2008).

From a practical point of view, it is more important to evaluate innovations from the standpoint of companies and markets. They perceive every new product, process and others as an innovation, despite the fact that globally they already exist. It is important to note that innovation should not be limited to newness leading to changes in products, services and processes. Most of the innovation is expressed in consistent and small improvements. This type of innovation has a significant effect on companies (Agov et al., 2008).

Despite the diversity that is observed in terms of defining the types of innovation, it can be summarised that all definitions have one thing in common and it is associated with the focus on the existence of something new and different (Zlateva, 2019). In conclusion, innovation is a concept that has many definitions. However, there are common features such as updating, changing or introducing something new, i.e. a product or service.

For the successful implementation of innovations, it is important the way in which they are perceived by society. Perceptions themselves are set in the culture of society, and it is a key factor in achieving sustainable competitive advantage. In other words, it is a culture that determines which innovation will be perceived positively and which will not.

In figurative use, the word culture is mentioned in writing by the great philosopher Cicero in the first century AD. He talks about culture as a way of upbringing, education and development of the spirit (Dragozova, and etc., 2010). The concept began to form at the end of the eighteenth century, until the middle of the nineteenth century, however, its use was very weak as it is difficult to define. However, over time, the concept of culture has been studied by a number of writers and philosophers who express their views. For example, according to the British anthropologist Tyler, culture is the name of those characteristics of behaviour that distinguish man from other species, i.e. articulate speech, norms of ethics and etiquette and others. According to him, culture is a whole that includes knowledge, faith, art, law, customs, and all other abilities acquired by man as a member of society (Delcheva, 2007).

One of the first to substantiate the science of culture in the first half of the nineteenth century was the American anthropologist, ethnologist and culturologist Leslie White. He sees culture as an organisation of phenomena – actions (patterns of behaviour), objects (tools and things produced by tools), ideas (faith and knowledge) and feelings (attitudes and values), which depends on the use of symbols (Delcheva, 2007).

Along with these concepts, there are other perspectives on what culture is. For example, Ortega and Gasset's view of culture is that it is a system of living ideas. According to them, a person can always live through certain ideas, building the foundation on which his existence is based. Also, they define the culture of the individual as a set of personal beliefs about the world and other people, the value hierarchy of things and actions (Delcheva, 2007).

In "The Book for Bulgarians" (Mutafchiev, 1987) defines culture as the totality of spiritual, material acquisitions and goods, without which the life of anyone is inconceivable. According to him, the word culture means development, and when we talk about the culture of a nation, we actually mean the degree of development, spiritual and material, that it has reached.

The official concept of culture is given by the international association UNESCO in a declaration from 2002. It defines culture as “the multitude of distinctive spiritual, material, intellectual and emotional features of a society or social group, it covers not only art and literature, lifestyles, forms of coexistence, value systems, traditions and beliefs” (NBU Dictionary, 2020). This notion can be said to unite all opinions and statements about culture, refracted through the prism of modern notions.

Some researchers summarise that despite the diversity of understandings of what culture is, it includes (Dragozova, 2010):

4. art, education, upbringing, way of life;
5. a complex of different, permanent features of people of the same origin;
6. communities with the same characteristics;
7. scientific concepts (models)

In conclusion, culture is a set of values, traditions, beliefs, and convictions of society.

In terms of how the concept of innovation is linked to culture, it reflects Orteg’s and Garcia’s view: one always lives by certain ideas that build the foundation on which one rests. That is, if an innovation coincides with these ideas, it will become part of the human foundation, and this in turn could be a key factor in improving the competitiveness of an organisation. The two concepts, culture and innovation, are closely related, because on the basis of a given culture, innovations are created, and through innovation, society builds and enriches its culture. Together, these two concepts form a culture of innovation.

## 2. Analytical part

In modern business, the culture of innovation is perceived as a necessary condition for increasing its competitiveness. To be innovative an organisation must have a flexible structure that facilitates the flow of communication and exchange of information between members of the organization. The perception of the idea of introducing a culture of innovation should not depend on the size of the company. It depends on the perceptions of the company’s managers, as well as their skills to create a vision of innovation and motivate the members of the organisation to achieve it (Dimitrova, 2015).

Another point of view on this issue is that the culture of innovation is the essence of an organisation that distinguishes one company from all others. It is multidimensional and is related to the surrounding organisational environment, as well as to the field of activity.

It can be said that the culture of innovation is the ability of an individual, group or society to perceive innovations, as well as their abilities to turn them into products, processes. In other words, the culture of innovation is the way people think creatively.

The presence of the innovation culture is not a guarantee for the successful implementation of the innovation activity. The innovation culture creates an environment for the development of the innovation potential and for building competitive advantages on its basis. A European Commission published “Towards a More Innovative Work Environment”; the project states that building a culture of innovation promotes a holistic approach to solving organisational problems, with several benefits (InnoWork, 2015):

- The culture of innovation allows people to see things from a variety of perspectives. Performance-level employees may have already found problems or solutions that no one else can see. Those who are distanced from common business activities may see new opportunities, however, they cannot be realised if people never share;
- Involvement (a natural by-product of the culture) increases the spirit of the staff, encourages commitment and a sense of purpose. It also boosts people’s confidence and motivates them to improve. Completely natural people want to be heard and appreciated;
- Improved problem-solving in the workplace;

Some researchers argue that in the future it will be important for businesses to identify in a timely manner key factors that determine the need for innovation such as technological progress, changing customers, increased competition and a changing business environment (Zlateva, 2019). The need to build innovative business behaviour is increasingly identified as a major goal of national and European

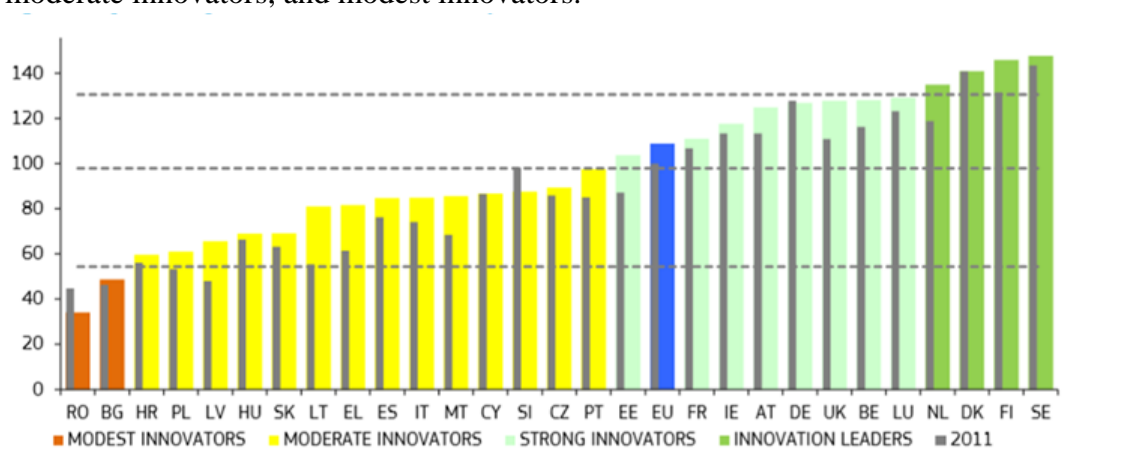
policies for economic growth, and the presence of innovation culture as a basis for creating comparative competitive advantages, innovation is the core of European policy.

The primary aspects for the conducted research are the use of methods for:

- collecting information in the process of conducting it and providing information security for the analysis, which is critical for the successful conduct of the survey;
- synthesising and analysing the collected data.

Research, technological development, and innovation are driving forces for the EU, to make the economy competitive and knowledge-based economy. A key factor in reaching this goal is the European Research Area. Research is a prerequisite for the development of innovation culture in a country. The analysis in this paper is based on the methodology of the European Innovation Scoreboard. The European Innovation Scoreboard measures the level of innovation of both EU Member States and non-EU countries. (EIS, 2019)

Globally, according to the EU's Annual Innovation Comparative Report 2019, the EU is improving its level of innovation for the fourth year in a row. The European Innovation Scoreboard provides a comparative analysis of the results of innovation in European countries and regional neighbours. The scoreboard assesses the strengths and weaknesses of national innovation systems and helps countries identify the areas they need to address. Figure 1 presents a graph showing the level of innovation of EU Member States. The coloured columns show the situation of the Member States in 2018 based on the latest data on the 27 indicators of the European Innovation Scoreboard compared to the EU average in 2011. The grey columns show the situation of the Member States in 2011 compared to the EU average in 2011. Based on the data, countries are divided into four groups of innovation leaders, strong innovators, moderate innovators, and modest innovators.



Source: European Innovation Scoreboard 2019

**Figure 1. Level of innovation of the EU member states**

Based on the data of Figure 1 and the data from the European Innovation Scoreboard, Table 1 classifies the EU Member States as well as non-EU countries.

Table 1

**Classification of countries by groups of innovators**

Innovation leaders	Strong innovators	Moderate innovators	Modest innovators
Sweden	Germany	Italy	Bulgaria
Finland	France	Poland	Romania
Denmark	Ireland	Greece	
The Netherlands	Austria	Czech Republic	
	Belgium	Hungary	
	Luxembourg	Lithuania	
	Estonia	Slovenia	
		Portugal	
		Spain	
		Croatia	
		Latvia	
		Slovakia	
<i>Outside the European Union</i>			
Switzerland	United Kingdom	Serbia	North Macedonia
	Iceland	Turkey	Ukraine
	Norway		
	Israel		

Source: created by the author

From Table 1, the country with the highest annual innovation index is Sweden, followed by Finland, Denmark and the Netherlands. Outside the EU, according to EIS 2019, Switzerland is emerging as an innovation leader. According to the European Commission, Estonia is among the strongest innovators for the first time, along with the UK and Luxembourg. The group of modest innovators includes Bulgaria and Romania. Outside the EU modest leaders are North Macedonia and Ukraine. According to a report by the European Commission, 25 EU countries have increased their innovation performance since 2011.

Sweden is once again an innovation leader. The powerful mix of R&D teams, testing opportunities for new product implementation and a thriving financial start-up environment, makes Sweden a springboard for innovation in enterprises, creation and transfer of new ideas, technologies and products to the global market.

The level of innovation in Sweden in 2018 is 148 points, and those in the EU are 136. As strong measures, the EIS points to the favourable innovation environment in the country as well as human resources. In addition, Sweden reports high values on the following indicators: public-private joint publications – 369 points, long-term training – 274 points and international scientific publications – 347 points. According to the EIS, the country reports lower values for 2018 on the indicator impact on sales – 90.6, compared to 91.7 in 2011. Indicators of low scores include sales in new markets and innovations in new products, risk capital expenditure and private co-financing of public expenditure and research and development.

The reason for Sweden to be a leader in innovation for another year is the innovation culture in the country. According to Cotter and Hackett, corporate culture promotes and adapts organisational learning and the introduction of innovations to achieve sustainable development and competitiveness of the company, in the conditions of continuous dynamics of the business environment. This definition of culture of innovation is the most suitable for Sweden. From the EES data, it is clear that the country has an environment for developing innovation. Moreover, Sweden’s innovation strategy until 2020 states that: “Every person in the country can contribute to improving the life of another from a different region”, which suggests that the culture of society perceives each innovation to improve living conditions.

From a moderate innovator, according to EIS 2019 data, Estonia has moved to the group of strong innovators in Europe. In 2018, the country marked a significant improvement in some indicators. The level of innovation in 2018 is higher than the EU average for 2018.

For 2018, Estonia achieves high results in terms of innovative small and medium-sized enterprises (SMEs), cooperating with others, trademark applications and costs for innovation outside research

educational and development activities. According to EIS 2019, the strongest innovation dimensions of the country are intellectual assets and connections and human resources and the lowest indicators are sales and employment.

One of the reasons Estonia is moving to a group of strong innovators is that the country is making progress in the field of technology. For example, it was the first country to conduct online voting in national elections in 2007. Also, it is making progress in the field of education, as a basic principle in this field is the existence of equality between students.

According to EIS 2019, Lithuania belongs to the group of moderate innovators. The highest indicators of the country are the favourable environment for innovation development, the innovators in the country and the interconnections. For 2018, Lithuania achieves high results in terms of the population with higher education, the costs of innovation outside R&D and the availability of wide access. Weaknesses of the country are the impact on employment, attractive research system and intellectual assets.

However, average annual GDP growth, the share of turnover of small and medium-sized enterprises, and start-ups are well above the EU average. This leads to the idea that Lithuania has the potential to develop innovation in the country. In an interview, Vilius Šapoka, as the Minister of Finance of Lithuania, shared that his vision for the development of the country is aimed at creating the most favourable tax system for the development of high-tech innovations. This will lead to well-paid work and a leading role in the field of financial technologies, renewable energy, biotechnology and the development of fintech companies. In conclusion, the Lithuanian culture is based on the development of the country through innovation.

Bulgaria belongs to the group of modest innovators. Our country has only 50% fulfilment of the national target of 1.5% share of R&D expenditures in GDP. However, according to EIS 2019 data, the level of innovation for 2018 is higher than the EU average.

As the strongest innovative measures of Bulgaria, EIS 2019 indicates the impact on employment (for 2011 it is 86.6, and for 2018 it is 113.5 points) and intellectual assets (for 2011 they are 49.9 points, and for 2018 – 78.8 points). In addition, indicators such as fast-growing enterprises in innovative sectors, design applications and brand applications are relatively high compared to the EU average. The weak indicators of the country are finances and support, innovations in the country and the attractive innovation system.

One of the reasons why Bulgaria falls into the group of modest innovators is the culture of society. Many studies indicate that it is typical for Bulgarians to avoid insecurity. The different is perceived as dangerous, and the new is approached with a great deal of suspicion. Moreover, there is a preference to perform well-structured tasks, which solution requires a correct answer. Resolving cases and acting in situations that require non-standard thinking and that involve variation in solutions create difficulties. In Bulgaria, time is perceived as a reference point, instead of as a valuable resource. Inaction is perceived calmly, there is no internal need for work, and work is done only when there are deadlines.

It can be pointed out that in the country the enterprises established in the form of cooperatives have a huge potential for presenting innovative activities. The commercial activity carried out by them with cooperation to satisfy economic, social and cultural interests, makes innovations a strategic priority and a key factor for cooperative development (Stoyanova, 2019).

Bulgaria is a typical example of the fact that the presence of an innovation culture does not give grounds for the successful implementation of innovation activity. Through the innovation culture, the society manages to create an environment for the development of the innovation potential and the improvement of its competitiveness. In Bulgaria, the innovation culture is still in its first phase due to the fact that all innovations are perceived timidly and in most cases are perceived as unnecessary. Innovation is created on the basis of culture, and when culture does not perceive these innovations, their creation would be a difficult process.

Unlike Bulgaria, countries such as Lithuania, Estonia and Sweden are making progress in their development in the field of innovation. Based on their level of innovation, it can be argued that their innovative culture is constantly evolving. They lack uncertainty, and on the contrary, any innovation is perceived as a way to increase competitiveness.

Among other factors that have influenced the development of innovation culture is the climate. For example, Sweden is a Scandinavian country where the climatic conditions are colder and therefore the population spends most of their time at home. This allows them to think more creatively about spending time, from which many innovations have emerged. Unlike Sweden, the Bulgarian climate is temperate. The population in the country spends their free time outdoors and this is the reason creative thinking in leisure time is not so preferred.

At the national level, competitiveness, including based on a culture of innovation, can be achieved by disseminating innovation more widely and providing financial resources to ensure higher productivity from a larger number of sectors and enterprises. In addition, it is necessary to increase and develop the attractiveness of local economies, which will lead to an increase in the competitiveness of the Bulgarian economy as a whole.

Additional accents favouring the competitiveness of the European economy, in creating an innovative environment, can be sought through environmentally friendly activities, the rational use of vital raw materials, digitalisation and the protection of competition.

## Conclusions

The culture of innovation has recently begun to be a topic to talk about since the efforts of national economies and the actions of organisations to achieve dominance in the competition are not sufficient and do not achieve the desired result. A number of sociological analyses show that the actions and expectations of people who make decisions and implement them are the key to the successful implementation of ambitious projects. And since innovation is defined as a major source of competitive advantage, it is no coincidence that those elements and manifestations of national and organisational culture that create a suitable environment for the development of innovation activity are of interest. At the same time, it must not be forgotten that competitive advantages are constantly changing.

The culture of innovation is a complex set of actions, strategies, and techniques through which a person or community can succeed in realising an innovation. The culture of a society is important for the culture of innovation. Organisational culture of a certain company is demonstrating the way of thinking and working (Zlateva, 2015), which forms prerequisites for the rising of competitiveness, which means that countries like Bulgaria, which are experiencing a long period of transformation and integration into different structures and markets, could create and implement approaches to increase the competitive potential of the national economy, i.e., to develop their own innovation culture. Based on the presented study, it can be concluded that the culture of innovation in the country is still on its first phase. Every new innovation is approached timidly, and in some cases, innovations are perceived as unnecessary. This and the presence of a gray economy are the reasons why Bulgaria is in the group of modest innovators. At the same time, the basis of competitiveness is the balanced development of the innovation system. Each of the environmental factors and each form of impact is significant.

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