UNIVERSITY OF LJUBLJANA
FACULTY OF ECONOMICS

MASTER THESIS:

AN INNOVATIVE ORGANIZATIONAL CULTURE: AN ANALYSIS OF EMPLOYEES' PERCEPTIONS

Ljubljana, June 2016   DAMJAN GEORGIEVSKI

AUTHORSHIP STATEMENT

The undersigned Damjan Georgievski, a student at the University of Ljubljana, Faculty of Economics, (hereafter: FELU), author of this written final work of studies with the title An Innovative Organizational Culture; An Analysis of Employees' Perception, prepared under supervision of the assistant professor Katarina Katja Mihelič

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INTRODUCTION

Innovation has attracted the attention of many scholars and practitioners from various backgrounds. Numerous studies have been led and found that innovation in items, work procedures, and administrations are not just a key to long haul hierarchical survival and achievement; but it is also the beginning stage for any organization toward building feasible innovation and culture that supports it (Lin & Liu, 2012). Working in today's quickly moving environment, organizations and managers have understood the significance of being innovative and building up solid innovative culture principally on the grounds that innovation (alongside the creation of innovative and creative culture) has been recognized as profoundly vital for any organization (Jamrog, Vickers & Bear, 2006). Pursuing innovativeness and making organizations more innovative have attracted the attention of many managers to attend conventions and courses of innovation and took example from companies like Facebook, Google and Apple (Rao & Weintraub, 2013). They are in position to sacrifice anything (from resources to processes to organization's success and failure) to find a way for their organization(s) to become more innovative.

For that reason, the topic of the master thesis will illustrate the importance of innovation and creating such culture that could lead to organizations' efficient and effective way of functioning and creating competitive advantage. It will also identify measures that any organization needs to introduce in order to build and support an innovative culture.

The **purpose** of this master thesis is to present and analyze the importance of the innovative organizational culture. Because of the fast growing and rapidly shifting environment, organizations are constantly looking for ways to improve its status within the environment, but most importantly, they are on the hunt for implementing a culture that could lead to better overall performance. The aim is to explore the characteristics and the stages of development of an innovative culture within an organization.

The **goals** of the thesis are to 1) analyze characteristics of the innovative culture; 2) to investigate how an innovative culture can be created; and 3) to present how an innovative culture can be sustained.

The main research question of the empirical part is: What are employees' perceptions about the various components of an innovative organizational culture?

For the purpose of this, the master thesis will explain the foundation on which the innovative culture rests on. This includes resources, processes, values, behavior, climate and success, all equally important for the creation of the innovative culture.
Establishing (creating) the culture is one thing, but sustaining it is something else. That is why the master thesis will also address some ways of sustaining the innovative culture. This is especially important because people (employees) need to be aware of the culture

and know how to act in different situations at any given time. A clear sense of direction needs to be put in place so that everyone within the organization knows the importance of the creation of the innovative culture.

The research for the theoretical part of the master thesis will be done using secondary data that will include scholarly articles, journal articles, published books, and other professional reviews from the large database of EBSCO Host, ProQuest, and Science Direct through CEK library of the University of Ljubljana. These will be used when defining the problem and explaining the relevance.

The empirical part will include a research approach of sampling a large number of employees, asking about the companies' culture of innovation and the degree to which the innovative culture is implemented. This research approach will include questionnaire that I plan to prepare to come up to conclusions and results drawn from the evidence that would come from it. I plan on approaching as many companies as I can, including small, medium and large companies from different industries. The aim is to sample around 50 employees, therefore exploring employees' opinions and views about the innovative culture within their organizations. The questionnaire will be prepared in a way that employees will need to answer every question on a scale of 1 to 5 with 1 being low and 5 being high.

The structure of the master thesis is consisted of four main chapters. The first chapter gives an inside of the characteristics of the culture that supports innovation that has been done using the CEK library from the Faculty of Economic Ljubljana University. Four characteristics are explained including customer centricity, team work and collaboration, open communication and diversity. The second chapter focuses on developing innovative culture through creating organizational value and understanding behaviour and generating the right organizational climate. The third chapter explains how the innovative culture can be sustained. A deep analysis is presented focusing on employees' motivation and the recognition and rewards that come along with it.

The final chapter gives an insight of the empirical research and the methodological approach for assessing the current innovative culture that is deeply embedded within the Macedonian companies. This chapter covers the analysis and results that come from the research, therefore providing recommendations for organizations and limitations.

1 THE IMPORTANCE OF INNOVATION FOR ORGANIZATIONS

Today, managers are still on the run and want their organizations to be more innovative. They do everything in their power, hoping to discover the path to success. Many of them are inspired from companies like Facebook, Google, Apple, IBM, General Electric etc, and look to see how these companies reinvent themselves over and over again. As indicated by a review conducted by HRI, right around three quarters (71%) of US managers saw their

organizations as moderately successful with regards to innovation (Jamrog, Vickers & Bear, 2006). This indicates that US companies enjoy a degree of comfort in the ability to come up with ideas, but not all have put systems in place to boost up innovation in the workplace.
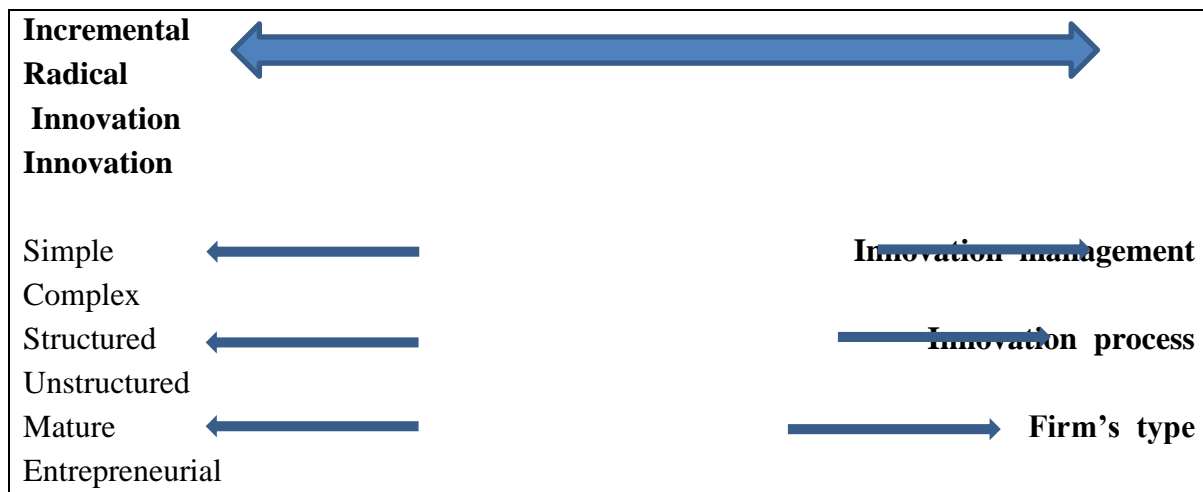
Jamrog, Vickers and Bear (2006, p.10) portray innovation as the making of worth by growing new knowledge or by utilizing existing learning as a part of new ways. Being innovative means serving clients with products, services and processes that shape clients' needs while making new and persevering markets in the meantime (Angel, 2006). Innovation creates change that other organizations must respond to, therefore becoming a sustainable competitive advantage. It means doing something different and better than the competitors. It implies making ideas profitable for the organization and its clients, accordingly bringing additional value (Alexe, 2007).

Following the rapidly changing globalization trends have forced organizations to be more innovative and creative to address all important issues related to organizational survival, growth and excellence. Angel (2006, p.1) says: *"The success of any organization mostly depends on its innovation, which can be described as immense, incomplete and inimitable".* Innovation is the utilization of a nontrivial change and change in a procedure or item that goes about as the building block when building up the change (Blayse & Manley, 2004). It is an active process of doing something different and better than at present (Alexe, 2007). It additionally alludes to the capacity to make connections that create business opportunities while going out on a limb (Euchner, 2013). Blayse and Manley (2004) distinguished innovation in many forms; these forms can be identified as:

- Incremental; little innovation in view of information and experience;
- Radical; leap forward innovation in technology or science;
- Modular; innovation identified with a change of an idea inside a part;
- Architectural; innovation identified with change in connections to different parts and
- System; innovation that is multiple and integrated.

Some organizations look to their traditional way of innovating, one which embraces their pass, therefore sticking to a winning formula and minimizing risks. Other organizations are oriented toward substantial changes with advance level of investment and risk taking. According to Alexe (2007), organizations can choose between two types of innovation; incremental and radical. The figure below represents the differences between these two innovations.

Figure 1. Incremental vs Radical Innovation

Incremental Radical	
Innovation Innovation	
Simple Complex	Innovation management
Structured Unstructured	Innovation process
Mature Entrepreneurial	Firm's type

Source: G. Alexe, *What is an innovative culture and how can we build it?,* 2007, p.3, Figure 1.

Organizations that are oriented toward incremental innovation have simple innovation management, structured innovation process and are more matured type of firms. On the other hand, organizations that are oriented toward a rapid innovation and are faced with a complex innovation management, an unstructured innovation process are entrepreneurial type of firms. Despite the fact that the radical type of innovation is the way to long haul survival, numerous organizations have struggled to accomplish it since ideas can't be maintained being considered excessively radical; this makes it truly hard for organizations to achieve their maximum capacity (Alexe, 2007).

According to Alexe (2007), organizations that support incremental innovation are characterized by:

- Formalized, centralized and systematic procedures;
- Functional and efficiency oriented organizational structure;
- Homogenous, older and experienced people (employees);
- Focus of cost reduction and efficiency improvement;
- Linear and predictable processes and
- Exploitation management.

On the other side, organizations with radical innovation are characterized by:

- Informalized, decentralized and loosely structure procedures;
- Organizational structure that supports knowledge gathering and risk taking;
- Heterogeneous, younger and entrepreneurial people (employees);
- Focus on experimentation, creativity, foresight and psychology;
- Nonlinear and experimental processes and
- Exploration management.

Whether incremental or radical, innovation cannot be achieved without some building blocks that are the foundation of any organization that wants to improve and sustain their innovative culture. According to Rao and Weintraub (2013), these building blocks are:

- **Values**: drive priorities and decisions. They manifest themselves in how employees behave more than in how they speak,
- **Behaviours**: describe how employees act while innovating. This may include shutting down an existing product and starting a new and better one, or energizing employees for better and brighter future,
- **Climate**: the key to innovation at the workplace. Organizations need to support climate that cultivates enthusiasm, taking risk and fostering learning and independent thinking,
- **Resources**: this building block is composed of three factors:
  - People – powerful impact on the organization's values and climate,
  - Systems and
  - Projects.
- **Processes**: route that needs to be followed so that the innovation can be developed. This may include capturing and shifting through ideas for the purpose of prioritizing projects and prototypes and
- **Success**: the success of any organization can be achieved externally, internally or personally. Organizations value the internal (enterprise) success the most because it can drive many subsequent actions and decisions.

Abbot, Jeong and Allen (2006, p.4) say the following: *"Many organizations are "profit motivated", which means that they have seen innovation as a way of generating higher profits and distributing it to their shareholders".* The desire to make money is important, but organizations have noticed something more than this straightforward landscape of business leading to profit. They now consider innovation to be a method for building up and making environmental, quality and social equity, life-cycling advantages in addition to the traditional economic/financial variables (Abbot et al, 2006). The importance of understanding the need to innovate may differ from one business to another because of different business environments, market pressure and levels of competition. Notwithstanding the distinctions, innovation could be the way to expanded profitability and viability that could prompt economic development (Abbott, Jeong & Allen, 2006). The need for innovation and its importance is something to look forward to, and that is why Mota and Oliveira (2014) explain that there are five things that could happen when organizations innovate. These include:

- Introduction of new good,
- Introduction of new method of production,
- Opening of new market,
- Conquest of new source of supply of raw materials and
- Implementation of new form of organization.

In today's quick paced business environment, it is risky to say that any organization's products will not be tested by the competition and made out of date (Alexe, 2007). Being innovative is a necessity not just for success, but also for survival. That is why innovation has found its way to the top of the "to do list" at any organization around the world. Managers have noticed the importance of being innovative as highly important to their organizations, especially to the creation of competitive advantage. Creating competitive advantage through innovation is the key to success now and in the future. Be that as it may, so as to be innovative, organizations need innovativeness that it is transformed into a creation that gives organizations competitive achievement (Higgins, 1995).

But, innovation goes beyond just coming up with new creative ideas. Some organizations are not innovative because they lack the culture, environment and people that provide the base for innovation to occur. With the goal that organizations can achieve the maximum capacity of being creative, they require the privilege (gifted) individuals, environment that permits taking (sensible) dangers and eagerness to endure (infrequent) failure (Augustine, 2013). Organizations need to put their employees at the heart of the organizations and give employees the opportunity to grow, to show their full potential while creating openness, trust and community across the organization. This could give freedom to organizations to tap into the employees' full potential and be effective at the same time. In particular, it could be the way to creativity and innovation to grow quickly and effectively inside organizations (Leavy, 2005).

Innovation itself cannot hold for long if there is not a right balance between practice and process, creativity and efficiency. What this means is that organizations need to learn how to walk the line which smoothers creativity and avoid chaos. In order to do that, Leavy (2005) recommends that managers and organizations build up parity inside the innovative procedure itself, between the key elements of the organization and in the general way to deal with the organization's management. This could prompt striking the right adjust for innovation to happen, as well as to be powerful and productive in the meantime without making any turmoil (Leavy, 2005).

2 CHARACTERISTICS OF A CULTURE THAT SUPPORTS INNOVATION

Managers and organizations are constantly looking for new sources of growth in the increasingly demanding and competitive environment. To meet this challenge, managers must learn to inspire everyone within the organization to a new level of inventiveness. This can be done by improving the organizations' innovation. But the innovativeness of any organization cannot be achieved without creating the right culture, one that can foster innovation. That is why the creation of innovative culture is important to organizations.

Innovative culture is the company's social and psychological environment, the common perspectives, and the conviction and worth framework reflected in a relentless and trustworthy example of behaviours among members (Harbi, Anderson & Amamou, 2014). It represents a resource to increased levels of innovation, therefore providing a way of thinking and a way of acting that brings innovation. This innovative culture is a complement to the formal, established rules of doing business, which guides employees when confronted by the unexpected. A culture of innovation is a network consisted of all the members within the organization and more than few representatives from outside, including customers, students, even competitors. In any case, above all, it is a system that expands on trust and confidence that moves organizations from a defensive to an offensive position in the business world (Daniels, 2010). Such culture fosters innovation by working on employees' skills, providing incentives and removing obstacles. We can say that organizations are innovative when they manage their human resource effectively. This may incorporate dealing with the labor arranging, recruitment and selection process, setting reasonable arrangements and objectives and depending on successful learning framework that furnishes employees with training, guidance and mentoring (Dixit & Nanda, 2011). Last but not least, organizations that support innovative culture are the one that support better approaches for working without punishing employees on the off chance that they come up short, empower joint effort where individuals can make inquiry and cooperate and share discernment that all employees can endeavour to accomplish comprehension of each other's objectives (Blayse & Manley, 2004).

The innovative culture will turn out to be critical in the following 10 years or so since it will touch every part of the organization (Jamrog, Vickers & Bear, 2006). Creating such culture requires possessing some characteristics. According to the AMA/HRI survey, an innovative culture has many characteristics, among which the focus on customers is ranked as the most important one. However, the focus on customers alone does not guarantee that the innovative culture could be a success. Organizations need to possess other characteristics to allow innovation to prosper. These other characteristics include team work and collaboration, open communication and diversity (Jamrog, Vickers & Bear, 2006).

2.1 Organizational Focus on Customer Centricity

In order to be innovative, organizations need to do something different and better than at present. Being innovative means to turn ideas into something valuable not just for the organization, but for their customers as well (Alexe, 2010). Battling today's fierce competition, organizations are in no position to leave clients aside since they are the main impetus behind any associations. Without them, only few organizations could survive and stay in business (Kiefer, 2015). Despite negative impact and impairment to the organizations' reputation, many organizations do not see this as a value to their customers.

Customer-centric organizations see their customers as partners who contribute to the success of the organization. These organizations are not just productive, but they also appreciate higher client degrees of consistency, for example, an expansion in new clients, better reputation, more positive word of mouth, and an annual sales growth rate (Kiefer, 2015). More attention is paid on service management, marketing, quality, relationship and customer loyalty. Drawing in and holding steadfast customers much relies on upon the capacity of organizations to actualize procedures that bolster customer - centric approach. The benefits acquired by such loyalty solely depends on repurchases from well and long established customers and attracting new customers through positive word of mouth from existing customers and the organizations' social network. Positive word of mouth is a marketing force that can be incredibly powerful, especially in the service industries. The greater the customer satisfaction, the greater the positive word of mouth, therefore increasing customer retention (Kiefer, 2015).

Today, organizations are making a stride further and concentrating on clients by grabbing their ideas and allowing them to enhance in their own particular manner, subsequently creating greater customer esteem (Jamrog, Vickers & Bear, 2006). Creating this value requires deep commitment with customers, but most importantly it requires connecting with customers' expectations, needs and wants (Sharon, 2010). Many companies also work toward creating new products and services for the individual tastes of customers, better known as personalized products. This personalization and customization of products and services have become popular in the clothing, music, and telecommunication industries (Jamrog, Vickers & Bear 2006).

Nothing of the above could be achieved unless owners and managers show lack of engagement in building custom centric organizations. That is the reason organizations need eager and minding leaders, one that employees can rely on and follow (Kiefer, 2015). Business owners and managers should teach their employees how to satisfy customers, and this is primarily done through examples during customer service training. Employees should be driven by inspired leaders, who share a clear vision throughout the entire organization and guide employees toward excellence (Kiefer, 2015). This vision should present a picture of better and brighter future state.

One way that can help organizations in becoming more customers centric is through Customer Relationship Management (CRM), which correlates to practices, strategies, and technologies that integrate every aspect of the customers' experience. To pull this off, organizations must have real knowledge about their customers that includes not only simple transactional histories but also how each customer is served at every point. CRM is extremely important because it defines the end-to-end customer experience (Norkus, 2001). Using some CRM tools, organizations can figure out ways to constantly assess their customers and determine which ones are the best for doing business. This approach can lead to increased profits and at the same time, it can lead to competitive advantage that

some organizations may not achieve (Norkus, 2001). But most importantly, it will help organizations solve customers' problems.

Developing an organization that uses CRM requires a lot of effort, consisted of strategy, operations and mindset. When developing it, organizations must understand their customers and differentiate each customer based on their lifetime value (strategic point of view), building an integrated structure that is designed for rapid change (operational point of view), and obtaining a clear mindset, one that gives management and employees understanding of how to create customer relationships (Norkus, 2001).

Becoming a customer centric organization is not an easy task, but organizations are constantly looking for ways to improve and find that one kind of customer focus that will help them compete successfully in the years ahead. Organizations need to ask themselves if they set objectives for customers' retention and loyalty, how they esteem customers, how and do they settle the greater part of the customers' issues and do they give plenty of choices to customers (Norkus, 2001). Managing these key points right could be a factor in developing a more customer centric work environment and could give organizations a boost to stay ahead of the competition.

2.2 Organizational Support for Teamwork and Collaboration

Teamwork and collaboration is one of the key qualities to innovation in light of the fact that there are expanded odds of blends among ideas that could prompt the formation of innovative and gifted product or service (Inoue & Liu, 2015). Not only that ideas are consolidated and shared, but they are done in a quicker way, therefore permitting the making of new ideas to accelerate and brought out quickly; one thing that could prompt competitive advantage over other organizations (Inoue et al, 2015). That is why organizations need to put effort toward creating an environment where team work and collaboration can flourish freely.

Team work can be linked to basketball team, where one player (let say the center) is not in a position to do it all by itself. The combined skills of the other players (consisted of running, dribbling, passing and shooting) are necessary for the team to succeed. Same goes for organizations, where an upper –level manager does not have all the necessary tools to carry out an entire task that could lead to innovation. That is why teams and work groups are critical because they encourage and support innovation. Teams and work groups are significantly more innovative when individuals with different points of view are integrated inside, allowing to exchange ideas and expertise more successfully (Jamrog, Vickers & Bear, 2006). None of these could be possible unless teams have the support of leaders who provide them with clear goals and resources needed at arriving at new ideas that are innovative and effective. Support from the leaders must be steady, allowing teams and work groups always to enhance and no to be harmed at any point of time (Jamrog, Vickers & Bear, 2006).

Working in teams brings much to the table when people from different backgrounds (accounting, marketing, supervision, and engineering) cooperate to land at choice that is innovative and creates competitive advantage (Block, 1993). This is primarily done because team members share their ideas and expertise, and at the same time provides benefits to the organizations, such as reducing internal costs, complementing each member's skills by those of the others, identifying and reducing weaknesses and satisfying customers' needs more quickly. Additionally, purring team spirit to work brings better choices, faster arrangements, more noteworthy proprietorship by colleagues and a more positive workplace (Block, 1993). Most importantly, team members will be propelled to achieve, while eliminating the fear of failure.

The first step toward creating an effective teamwork is organizing a team, which is consisted of couple of steps. According to Larsen (2010), the steps for organizing a team are as follow:

• Define the team's purpose; the purpose of the team's objective(s) needs to be in accordance with the organization's mission and strategy,
• Choose a team leader; finding a leader can be challenging, but the time dedicated in finding one can be of great advantage not just to the team, but to the organization as well. The leader of the team should possess the following strengths:
  - Leadership and management skills,
  - High integrity,
  - Well organized and
  - Stamina needed for the job.
• Choose the team members; this should be done with accordance of the team leader. The team leader should choose the ones that will depend on to achieve the objective(s). The team leader should know what kind of talent is needed for the team to be successful. Members of the team should be selected based on their strengths, skills, experience and potential,
• Kick off meeting; this meeting should be the first meeting of the team during which:
  - Team members get to know each other,
  - Brainstorm as needed,
  - Plan next steps and meetings and
  - Leave on a positive note.

But, how do we put team members to work together? This is one of the most difficult steps because we want not only members to work together, but also be effective. According to Larsen (2010), there are a couple of steps that needs to be followed for creating teamwork:

• Step one: Individuals need to be proactive. This means that each team member has freedom to choose his response to the situation; he/she takes responsibility for his/her

choices. This step is important for all members of the team, especially for the team leader, who needs to lead by example,

- Step two: Each member should have a clear vision and understanding of the objectives and the organization's mission and strategy. Members of the team needs to know the purpose of being in the team and work toward accomplishing the objective(s),
- Step three: team members need to decide what comes first. Team members must decide what actions are most important and work toward achieving them. Actions must be prioritized and handled in order,
- Step four: keep the win/win situation in mind. Team members must understand that everyone on the group wants to win, therefore achieving positive results of this behavior in the long run and
- Step five: team members need to listen carefully. In order to understand a situation from other's team member, individuals must learn to listen and acknowledge what is said. This is a way of becoming unified and interdependent team.

Once the team is put in place, members need to come together and mesh to find an effective gear. Teambuilding is one way of bringing all members of the team together, and it can be described as an ongoing effort that needs to be carried by the team leader. According to Larsen (2010), teambuilding is consisted of:

- Helping the team become a team; this requires practice, regular training and daily application. All members of the team must dig into, although the team leader is the one who needs to pull all strings together.
- Meeting the needs of the team; this involves:
  - Teaching the principles of teamwork,
  - Showing the way and
  - Remembering the reason for the existence of the team.
- Motivating team members; team members need to be motivated in order to achieve the objective(s). This may involve:
  - Knowing what motivates every employee,
  - Articulating a vision and expectations for the team as a whole and for every member as individual and
  - Giving team members opportunity to help each other.

Forming an effective team will not be possible if team members do not possess certain skills. These so called generic skills lead to employees working together by assisting one another, managing conflict, and holding each member of the team responsible and accountable. Riebe, Roepen, Santarelli, and Marchioro (2010, p.2) propose that there are various skills that could prompt teams being viable, among which time management, organizing , record keeping, planning, goal setting, decision making, and communicating are required and generally imperative. These non-specific skills should be evaluated, taught, and made unequivocal. Likewise, team members need to help each other when

creating these abilities (skills), especially through general practices and assessment of team's advancement and execution (Riebe, Roepen, Santarelli, & Marchioro, 2010). Team members need to cooperate and be willing to accept what is necessary in order to learn and possess the required generic skills.

Although many organizations collaborate mostly within (internally), some of them are going outside (externally). Today, organizations look for fresh ideas by consulting academia (universities), government agencies, R&D labs, and other firms related to them (Jamrog, Vickers & Bear, 2006). According to Inoue and Liu (2015, p.1), Collaboration is the key since one organization can consolidate its half idea with another's organization half idea and frame a radical new one. Not only that idea is shaped, but the procedure of coming to one speeds up and can prompt a potential competitive advantage (Inoue & Liu, 2015). Internally or externally, collaboration is a way of increasing organization's capacity to achieve its goals.

2.3 Organizational Need for Open Communication: Sharing Information and Knowledge

Yenen, Ozturuk and Kaya (2014, p.10) say the following: "*Communication is a vital component in the everyday existence of all living creatures. People need communication for survival in the society, and they direct their decisions throughout their lives by means of communicational processes.*"

It is vital for each organization to build its innovativeness by making a situation where every employee is required to contribute and feel like being a piece of a specific innovation that is to happen (Bubel, 2015). This cannot be achieved if employees are not allowed to develop their own ideas. Developing these ideas require communication within an outside the organization that could be a factor to creating a team work while exchanging knowledge and experience. But in order for communication to spread around the organization, there is a need to have some communication methods in place. Managers and organizations have an array of communicational methods to use, among which are face-to-face, telephone, publications, e-mail, and video conferences. Written forms of communication are widely used among organizations. This facilitates the affinity and accessibility of the information (Yenen, Ozturuk & Kaya, 2014). Also, this leads to managing communicational processes properly and protecting against false information that might come out, leading to more complexity at the end.

Leading a successful organization requires creating an environment with open communication, therefore allowing employees to engage and understand that what they do matters in the success of the organization. It also requires creating an environment where people can speak out and share ideas because some of those ideas might give an opportunity to organizations to "strike gold" (Euchner, 2013). That kind of environment

could be imaginative, innovative, and break the mold. Jamrog, Vickers and Bear (2006, p.14) explain the concept of open communication as a way of communication among different parts of the organization, team members, and communication up and down the organizational hierarchy. It also means sharing ideas and lessons learned from past successes and failures. But most importantly, open communication inspires creativity. Organizations that support this type of culture find that employees at all levels and departments of the organizations have the necessities to visualize opportunities for valuable and advantageous ideas (Agin & Gibson, 2010).

Creating a work environment that supports open communication may seem simple, but it takes some effort. It requires listening to ideas of lower ranked employees, who are often bright students right out of college, or other employees who are the best of the best and who transferred from other organizations. Keeping these employees out of the chain could make them less motivated and less creative. More importantly, some fresh ideas that have the potential to improve the organization in many different and positive ways will be left aside (Agin & Gibson, 2010). That is the reason the flow of information should be dynamic all through the organization, subsequently guaranteeing innovativeness at any given time. This implies the necessary information is constantly accessible and that everyone inside the organization knows where to get it when is required (Hartmann, 2006).

The concept of communication can be divided into four groups: intrapersonal, interpersonal, mass, and organizational communication. Yenen, Ozturuk and Kaya (2014, p.11) clarify the idea of intrapersonal communication as a procedure amid which people (employees) exchange their own sentiments and contemplations among each other. It also alludes to communication with inward world, and it includes the achievement of individual needs. On the other hand, mass communication is a procedure of sending an encoded message to the mass through specialized and mechanical devices. It can be characterized as sending procedure of contemplations and states of mind to a wide mass and giving and getting criticism (Yenen, Ozturuk & Kaya, 2014).

This type of communication allows the interaction to become broader during the communication process, spreading among all employees in the organization. Because of this, organizational communication is the key to survival for any organization. It is one of the most important processes for organizations to be efficient and effective. This is a type of communication that ensures all employees to come together and work toward accomplishing mutual goals and targets of the organization, while showing cooperation and problem solving skills in a formal and informal ways.

According to Yenen, Ozturuk and Kaya (2014, p.12), organizational communication serves various purposes, among which are:

- Organizational communication bonds people within the organization, allowing them to work together in a coordinated way,
- Organizational communication maintains the discipline within the organization,
- Organizational communication leads to the improvement and development of belonging,
- Organizational communication emphasizes employees to solve problems among each other for the sake of organizational purposes and targets and
- Organizational communication is an important tool for managers to use in order for their plans and decision makings to be maintained.

Figure 2. Organizational Communication Process
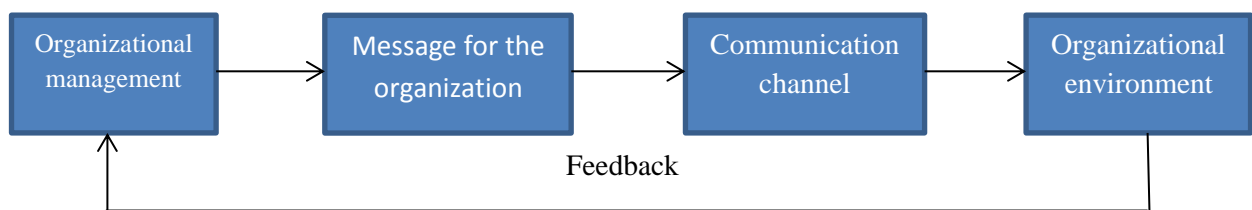
| Organizational management | → | Message for the organization | → | Communication channel | → | Organizational environment |

Feedback

Source: V. Yenen, M. Ozturuk and C. Kaya, *The effect of organizational communication on organizational commitment and an application*, 2014, p.12, Figure 1

The process of organizational communication starts with the organizational management (the sender), which sends the message(s) to the organizational environment (the receiver). This flow (process) can be seen in Figure 2.

During an in-organization communication process, the manager (sender) sends his/her message to the employees (receiver) as shown in Figure 3.

Figure 3. In-Organization Communication Process
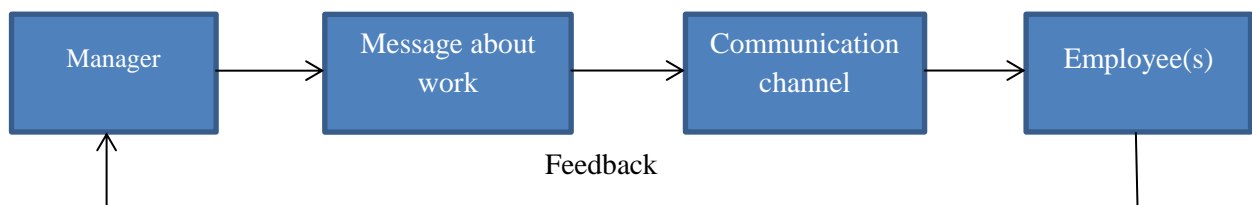
| Manager | → | Message about work | → | Communication channel | → | Employee(s) |

Feedback

Source: V. Yenen, M. Ozturuk and C. Kaya, *The effect of organizational communication on organizational commitment and an application*, 2014, p.12, Figure 2

With regards to innovation, the entire procedure of organizational communication boils down to one key part; knowledge sharing. With the goal organizations to be innovative and creative, they have to ensure that information is shared among organizational members. At the point when knowledge is shared, creativity (along with innovation) rises on individual level, as well as on team level. The change of team creativity is done through the

improvement of transactive memory, which alludes to "who realizes what" in a team. This could lead to widener the scope of each member of the team, therefore leading to more opinions and ideas that could break the ice to come up to new innovation (Tang, 2010).

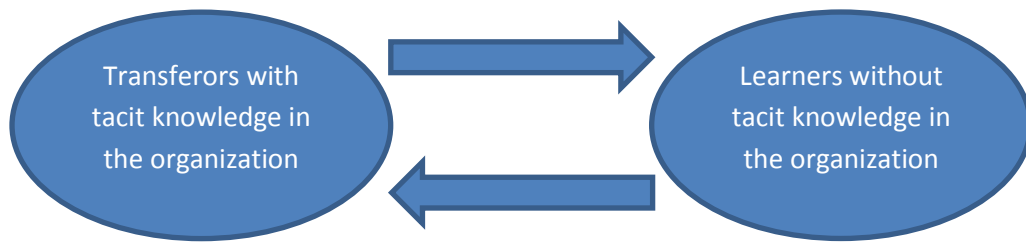Mohsen, Khazaei, Jaberi and Mazloomi (2014, p.3) depict knowledge sharing as the procedure where people trade their own particular knowledge, prompting the making of new knowledge. It is a procedure where everybody inside the organization offers ideas, information and recommendations with each other. Knowledge sharing has vital impact in the improvement of any organization (Guo, 2013). It is also the most important stage in the knowledge management (KM) process. But, it is also the greatest challenge for any organization because of employees' unwillingness to share information. Knowledge sharing is identified with the making of organizations' competitive advantage too; in light of the fact that if information is not shared, organizations are backed off and cannot move forward (Issa & Haddad, 2008). So that the knowledge can be shared, there needs to be a relationship between two parties; the owner and the recipient of the knowledge.

Two types of knowledge can be distinguished: explicit and tacit. Mohsen, Khazaei, Jaberi and Mazloomi (2014, p.3) characterize explicit knowledge as effectively accomplished, gathered and changed. It is a sort of knowledge that is effortlessly spread in organizations. This kind of knowledge can be classified, caught and disseminated, and in the meantime it can be conceptualized and put away in information systems (Bashouri & Duncan, 2014). Also, explicit knowledge can easily be expressed in formal and systematic language, one that can be understood by all employees within organizations (Newell, 1999). However, explicit knowledge does not satisfy the condition which empowers the accomplishment of feasible competitive advantage. This condition is met by tacit knowledge, which draws on the experience and learning of a person, created from direct experience and activity, and subliminally comprehended and connected (Chen & Mohamed, 2010). To better comprehend this kind of learning, employees need better instinct, aptitudes, convictions, mental models and shared experience. Since it cannot be put away effortlessly, the best way to exchange implicit knowledge is through communicating among individuals in the same organization. This may incorporate meetings, interviews and informal conversation among managers and employees (Guo, 2013).

Tacit knowledge sharing can be better understood by the tacit knowledge model. Guo (2013, p.1) clarifies that tacit knowledge sharing is done by two parties; the person who has tacit learning (transferor) and the person who does not have tacit information (the learner). Once the transferor exchanges the tacit information to the learner, the learner turns into the transferor when the correspondence is completely done between the two parties. Clearly the tacit knowledge will be overlooked, so the first transferor will turn into the new learner and take in the inferred information when he/she overlooks it. This model can be seen in the figure below.

Figure 4. Conversation of Transferors and Learners

Explicit or tacit, knowledge sharing can be beneficial to any organizations. According to Mohsen, Khazaei, Jaberi and Mazloomi (2014), knowledge sharing boost organizations because of the following:

- Improves the decision making process and coordination,
- Better organizational performance,
- Improves team performance because of better team coordination and
- Provides organizations with vital competitive advantage.

Tacit knowledge is difficult to share because it never leaves one's brain. This knowledge can be forever gone when an individual who possess tacit knowledge leaves the organization. That is why organizations stimulate employees to share knowledge and invest heavily in technology so that the tacit knowledge can be captured and stored whenever an employee leaves (Issa & Haddad, 2011).

The process of knowledge sharing cannot be done without the presence of one key element; trust. Trust as defined by Issa and Haddad (2011) is a verbal or written promise held by a person that other individual or group can depend on. This purported common trust is the snare for the information to be shared; the beneficiary of the knowledge ought to be induced that the source (where the knowledge originates from) is reliable; otherwise the knowledge originating from that individual (source) will not be acknowledged. The significance of trust is not only useful for knowledge sharing, but additionally for the creation of good workplace and positive employees' conduct.

Trust is also related to innovation in a way that members of any organization rely on trusting each other and strengthening that bond when working together toward creating creative and innovative ideas. Without trust, the flow of information between individuals cannot be accomplished and the decision making process toward innovation would be lost for eternity (Kulatunga, 2011). Hence, organizations ought to concentrate on building trust among employees since it could be additional consolation for cooperation, support and creating and designing state of the art innovation (Kulatunga, 2011). Issa and Haddad

(2011) have identified couple of recommendations for organizations to use in the process of building trust that could be beneficial:

- Create a sense of mutual dependence,
- Establish trustworthy behavior,
- Increase individual reliability,
- Share personal information and
- Use symbolic gestures

Sharing knowledge has been proven that is mandatory for any organization, and that is why it needs to be transferred in any possible way. Organizations need to give frameworks to convince managers and employees to take part in knowledge sharing procedures. In this way, appropriate techniques should be executed that could prompt better comprehend the significance of knowledge sharing among organizations (Mohsen, Khazaei, Jaberi & Mazloomi, 2014). The culture likewise has imperative influence of the knowledge sharing procedure since it characterizes the relationship among individual and organizational knowledge, makes environment for social interaction that characterizes how knowledge will be utilized and shapes the strategies by which new knowledge is made and appropriated inside the organization (Issa & Haddad, 2011).

2.4 Organizational Need for Diversity

These days, organizations are moving toward globalization, consequently making new structures and new relationships with the outcome that organizational decisions are not esteemed the same in different places (Dixit & Nanda, 2011). The rapidly changing environment and globalization trends have forced organizations to adopt innovative strategies to address all issues concerning the organizational survival, growth and excellence.

One such strategy is the need for diversity. Epel (2005, p.1) clarifies diversity as a mosaic of individuals with various foundations, styles, viewpoints, qualities and convictions that they convey to groups and organizations with which they collaborate. The requirement for diversity is about conduct and offering worth to the distinction. This is a long haul process for people, and additionally for organizations. Organizations ought to see diversity not just as a governmental policy regarding minorities in society, but also as a readiness to acknowledge that there are people to fill positions in the organization who look, think and talk in an unexpected way (Epel, 2005).

The most innovative and creative employees are drawn from diverse backgrounds because such employees bring not only diverse skills and knowledge, but they also offer creative solutions to problems (Jamrog, Vickers & Bear, 2006). Creativity requires profound level diversity since it makes a point of view where thoughts can be joined from various spaces,

and in the meantime, it makes adaptability and valuable debate, all which can possibly upgrade innovativeness (Zybartaite & Dzemyda, 2014). Also, teams can approach a task distinctively that could prompt assignment related problem(s), but it could also prompt exhaustive and complete consideration of all viewpoints, which in turns could prompt more creative ideas and, luckily, to an extraordinary and dependable innovation (Dzemyda et al, 2014).

But how can organizations pass this barrier and achieve better understanding of valuing differences among diverse employees. The differences between employees coming from various backgrounds have led to many organizational fails. Laroche (1999) gives some suggestions for handling and taking advantage of diversity, among which are:

- Communication; miscommunication is the most important cause for not managing and handling diversity properly. This could steam from:
  - Difference in body language and gesture,
  - Different meaning associated with the same word and
  - Different assumptions.
- Standards; organizations rely on different standards, as well as employees. This could be example with temperature (Fahrenheit vs Celsius), distance (kilometres vs miles), height (centimetres vs inches), or pressure (psi vs pascals). These differences in standards can be extremely painful for organizations;
- Approaches; as it is with standards, organizations and employees rely on different approaches, which are different and could be difficult for anyone to understand. Some organizations may emphasize theoretical or mathematical approach, while others may rely heavily on experimental or numerical one;
- Hierarchy of departments; the power of various departments varies from one organization to another. For example, manufacturing department in one organization may have power over its marketing and sales department, something that may be completely opposite for other organization. This could be disruptive and influence how employees interact with each other;
- Information sharing and distribution; the movement of information within organizations varies from one country to another. The flow of information in German companies is among departments (compartmentalized) and it does not flow easily. Employees share information only with people who they believe need to know. On the other hand, the information flow within US companies is more easily, therefore employees share information among departments more freely;
- Hiring process; the interview process differs within organizations from one country to another country. In some countries, candidates may be asked more personal questions (for example in France), something that is strictly against the rules in other country (for example, US). In Germany, candidates may be asked more professional questions. The differences in the hiring process could lead to disappointment among candidates, therefore organizations need to be very careful when hiring and

- Feedback and appraisal; employee recognition programs (having one's picture in a special place, having access to a special parking lot, etc) accepted by some organization in one country may be considered patronizing and artificial in another. The way feedback is given varies as well. For example, German companies give positive and negative feedback privately, while French companies give negative feedback publicly and positive feedback privately.

The way organizations manage diversity (culturally diverse contrasts) significantly affects organizations and the way they work together. If improperly managed, diversity can be a noteworthy issue and negative results may stimulate in light of it. According to Laroche (1999), the magnitude of diversity can be reduced with the following:

- Hiring foreign employees; this is very effective because of the globalization trends that organization are going through; this can also lead to better knowledge of different cultures, values, beliefs and understandings of people with various backgrounds;
- Using cross-cultural training; this type of training can deliver the needed training in a timely fashion. This training should be shared with all employees, rather than just limited to some of them and
- Managing diversity; organizations need to manage diversity effectively so that it could lead to significant improvements among employees within any organization. These improvements could be seen in work processes and outputs.

As globalization continues, organizations are ending up sinking into a worldwide culture that progression numerous part of how organizations work together. Organizations will come to the heart of the matter when diversity will degenerate and there will be no genuine contrasts (Garfolo and L'Huillier, 2014) that could prompt significant wellspring of new ideas, diverse perspectives and conventional methods for considering (Epel, 2005). This would happen only if the current diversity challenges are addressed properly with the commitment not only from the employees, but from everyone affected by the organization(s). Expanding diversity positively affects any organization and that is the reason it needs to become imperative for organizations and the environment they work in (Etowa, Price & Debs-Ivall, 2011).

3 DEVELOPING AN INNOVATIVE CULTURE

3.1 The Importance of Organizational Values

Burdett (1998, p.1) says the following: *"Values are the bedrock for of any corporate culture. Values provide a sense of common direction for all employees and guidelines for their day-to-day behavior."*

It has been firmly acknowledged that behavior is influenced by the way of organizational value. In view of this, managers have coordinated their consideration toward comprehension values when building up the innovative culture. Values, as clarified by Barry and Munson (1979, p. 2) is a belief whereupon individual acts by inclination. Values are the fancied needs, inclinations, goals, likes and abhorrence for a specific things, thoughts, conditions, or circumstances. They depict the thoughts and things that matter most for an individual (employee) that he/she will give up for. Since our activities are affected by preferred beliefs, values are the way to comprehension those beliefs (Barry & Munson, 1979).

Lately, organizations have been focusing on understanding what employees want and what is important to them because they all have different values for a particular thing(s). Some may be delighted with a new job title, while other may not be affected by it at all. According to Burdett (1998), focusing on values helps employees in two ways:

- It spells out how people (employees) behave most of the time and
- It helps people (employees) to feel better about what they do.

For the purpose of this, organizations have considered putting some kind of value system in place that could be supportive theoretically and statistically. One such system, as explained by Posner and Munson (1986, p. 5) is the Rokeach Value System (RVS). This value system is consisted of two sets of values called terminal values (desirable end-states of existence) and instrumental values (means of achieving the terminal values). Within this system, employees can rank the two sets in order (1 through 18); 1 being the most important and 18 being the least important value. The table below represents the terminal and instrumental values in the RVS.

The significance of organizational values is the key component that influences people (employees) and how they act. Since the angle here is on innovation and innovative culture, we will concentrate more on the innovative work behaviour (IWB), which has been helping organizations to increase competitive advantage. The IWB, as characterized by Shin and Susanto (2010, p.113) is the creation, advancement, and execution of new ideas that are useful to the organization. It additionally alludes to a regular development and the employees' expectations to give useful results to the organization. This work behaviour may incorporate execution of new techniques, new methodology, or new methodologies that are important to the organization. The making of IWB is unpredictable procedure involved with troubles, deterrents and dissatisfactions (Carmeli, Meitar & Weisberg, 2006). According to Shin and Susanto (2010), the creation of IWB includes three steps:

- Step1: Creation of new ideas; the creation of new ideas is based on the presence of problems that need to be solved.
- Step 2: Promotion of new ideas; this step includes gathering support so that ideas can be implemented and become real and

- Step 3: Implementation of new ideas; this step involves implementation of the new ideas that benefits organizations.

In the initial step, employees put generous effort to finish undertakings, amid which he/she is confronted with resistance in regards to his/her endeavors. One approach to battle this is through the procedure of self-leadership, which is the process during which employees figure out how to lead, explore and persuade themselves (Carmeli, Meitar and Weisberg, 2006). Having the self-leadership aptitudes can help employees handle an issue and recommend solutions more adequately. During the second step, employees should improve self-adequacy, which is the confidence in one's capacities to sort out and execute new ideas that have been created before (Carmeli, Meitar and Weisberg, 2006). During the entire innovation process, the self-leadership abilities are the basic for showing imaginative practices, subsequently demonstrating that employees are able to bolster their thoughts, yet in the meantime, they indicate certainty, energy and determination. We can see that the creation of the IWB is beneficial to organizations. According to Shin and Susanto (2010), the IWB helps innovative employees to:

- Enjoy more job satisfaction,
- Achieve better performance,
- Develop better relationship with other colleagues,
- Express lower stress,
- Enjoy higher personal growth and
- Produce positive conflicts.

These advantages stem from the fact that innovation is problem centered and can make employees distressing. However, IWB can make employees struggle, for the most part in light of the fact that the interests of one party are contradicted by another party. This contention can surface when employees contradict creative ideas that have been proposed by different employees, therefore confronting an issue of vulnerability and instability (Shin & Susanto, 2010).

The backing from the management is additionally critical in invigorating innovative behavior. Supporting IWB implies that managers show sympathy toward employees' emotions, give instructive input about their work, and bolster employees to voice their own worries. It also implies that managers are included and contribute among employees, which is critical in the creation of new ideas, exploring new opportunities, and putting them to work (Prieto & Santana, 2013). According to Hartman (2006), there are some actions that need to be taken by managers to motivate employees toward innovative behavior. These actions include mechanisms like:

- **Communication**: this mechanisms relies on informational exchange between people on an individual's beliefs. Managers should consider establishing communication that ensures constant understanding of what is valued. Any type of communication or dialogues can be

beneficial and it can lead to acceptance of innovative activities, therefore preventing misunderstanding and prejudice.

- **Recognition**: this mechanism relies on rewards, which recognize the individual's compliance with organizational norms related to innovation. These rewards can be:
   - Intrinsic rewards: rewards provided by the individuals themselves by comparing their performance to the internal standards and goals and
    - Extrinsic rewards; rewards provided by others by giving feedback. This feedback usually contains information about individual's effectiveness related to its performance.
- **Participation:** this mechanism encourages individuals to make choices and develop a feeling of responsibility on personal level. For example, when individuals do something as a result of their own choice, they feel responsible and more committed.
- **Symbolism**: this mechanism can be achieved through sending clear and visible messages about what is important. These messages come from consistent behaviour.

Just as the support from the management is crucial, co-workers support is expected to have similar or higher effects. This positive relation between employees' innovative behavior and the support from co-workers is significant because co-workers help dissatisfied employees, who in turn feel psychologically safe to discuss issues, to combine forces, and to share ideas and information (Prieto & Santana, 2013).

Figure 5. Proposed Relationship

SUPPORIVE WORK
ENVIRONMENT

EMPLOYEE
OUTCOMES

Management
support

Coworkers
support

Innovative work
behavior
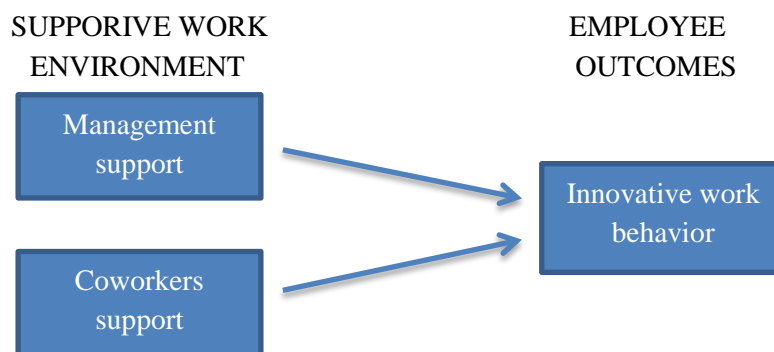
Source: I. Prieto and M. Santana, *Managing innovative work behavior: The role of human resource practices*, 2013, p. 192, Figure 1.

In order for the IWB to work and be acknowledged among employees from the organization, employees should be inspired. One such inspiration originates from the dedication that any organizational culture can make among employees from the organization in terms of believing in innovation as a organizational esteem and tolerating the standards identified with innovation (Hartman, 2006). Conferred individuals (employees) put additional exertion and work harder for sake on the organization since they see the organization as something they personally value. This value is the thing that

drives employees' conduct (behavior), which is viewed as useful to their own welfare (Hartman, 206).

Figure 6. The Link Between Organizational Culture and Motivation
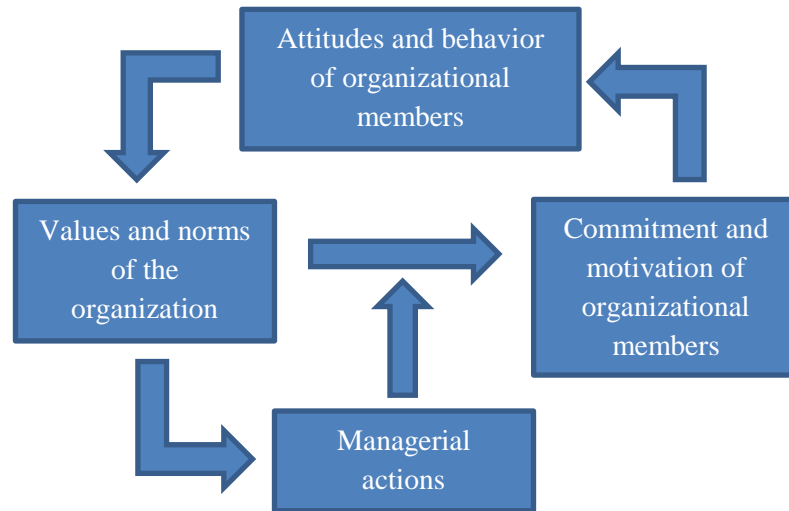
Source: A. Hartman, *The role of organizational culture in motivating innovative behavior in construction firms*, 2006, p. 161, Figure 1.

The development of the IWB is a complex process that involves generation, promotion, and application of new ideas at the workplace within any organization. That is why organizations try to enhance the employees' innovative work behavior as an important part of the organization's survival in the increasingly turbulent and complicated environment (Yidong & Xinxin, 2012).

3.2 The Importance of Organizational Communication and Commitment

Although there is significance of organizational climate as a way of explaining human behaviour and function of organizations, the concept of organizational climate has been distinguished from other related concepts. Therefore, Al-Shammari (1992, p. 30) clarified organizational climate as an arrangement of quantifiable properties identified with the workplace that have been seen by the general population who live and work in that environment to impact their conduct (behaviour) and inspiration (motivation). It is likewise an example of conduct, states of mind and emotions that portrays the organization's life (Lin & Liu, 2012). According to Moran and Volkwein (1992), organizational climate recognizes one organization from another by taking into account the following five persisting attributes:

- It embodies members' perception about their organization with respect to autonomy, trust, cohesiveness, support, recognition, innovation, and fairness;
- It is built upon members interaction;
- It serves for interpreting the situation;

- It reflects the norms, values and attitudes of the organization and
- It shapes organizational behaviour.

These days, organizations have been managing amazing challenges to discover approaches to build an organizational climate that could promise them achievement and fulfillment among the employees from the organization, as well as with outer shareholders. As indicated by Leavy (2005), there are some components that should be taken in thought when building up the organizational climate and at the same time, regenerate its innovative culture. These components include:

- Placing people and ideas in the centre of the organization's philosophy;
- Making sure that employees have room to grow, try new things and learn from mistakes;
- Strong sense of openness, trust and community needs to be developed across the whole organization and
- Making it easy for each member of the organization to show its talent.

These four components are the key to the development of the internal organizational climate. Developing such climate will allow employees to be more creative and share talent and ideas more freely (Leavy, 2005). On the other hand, Moran and Volkwein (1992) have explained three types of approaches that organization can take when formatting the organizational climate. These three approaches are:

- The structural approach; this approach clarifies the connection among target and perceptual measures of organizational climate. This implies if organizational climate is an authoritative trait and measured perceptually, then the observation ought to be accepted against target and outside measures. The key determinants of the genuine conditions in the hierarchical setting are the individuals' dispositions, qualities, and discernments. Be that as it may, the structural approach has a difficult issue in that it gives deficient thought to the subjective effect the basic variables have on individuals' responses to a given circumstance. Likewise, it does not address the procedures that happen among individuals from a group who share a typical organizational climate.
- The perceptual approach; also called the perceptual/psychological approach, this approach takes a differentiating perspective. This implies that it puts the premise for organizational climate inside every individual from the organization. Amid this approach, individuals from the organization react to situational variables that are psychologically significant to them. The most concerning issue with this approach is that the wellspring of the organizational climate is put inside individuals from the organization. Insufficient consideration is given since discernments about the circumstance inside the organization are given as a consequence of the connection of the organization's individuals.
- The interactive approach; this approach depends on the individuals connection to the circumstance that draws out the mutual assertion (the wellspring of the organizational climate). The interactive approach can also be seen as:

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- The interaction among organizational members as they engage in the process of interpreting organizational realities and
- The intersubjective process of generating meaning that requires the interaction between objective conditions and subjective awareness.

Furthermore, the interactive approach recognizes that individuals from the organization have the same impression of their setting and a typical edge of reference. This basic edge of reference is not given or altered, yet rather it advances from the interaction among individuals from the organization (Moran & Volkwein, 1992). One downside of the interactive approach is that it does not give profound examination of why the organizational climate shapes interaction. This implies that individuals from the organization do not shape their regular discernments and their interactions are compelled by the organizational culture through the organization's standards, qualities, and myths.

When it comes to innovation and creating innovative culture, organizations need to think about establishing not just organizational climate, but also a climate that supports creativity. This creativity climate, as defined by Lin and Liu (2012, p. 58) is a climate composed of challenges, freedom, and support that encourages openness and the tolerance of uncertainty. To achieve excellence in innovation, developing creative climate is indispensable. Therefore, some components need to be implemented that are essential to the creation of creative climate. According to Lin and Liu (2012), these components are: organizational encouragement, autonomy, freedom, resources, pressures, and organizational impediments to creativity. These components are the instrument for assessing organizational creativity climate that could facilitate and promote innovation within the organizational and individual level of the organization.

Either one of the approaches described can lead to the creation and development of organizational climate, but the organizational climate cannot be sustained without organizational communication and commitment from all the members within the organization.

To ensure innovativeness through the whole organization, managers expect communication to take place actively within and outside the organization. Yenen, Ozturk and Kaya (2014, p. 11) describe organizational communication as the transfer and understanding of meaning that happens between two parties (sender and receiver) for the purpose of sharing knowledge, ideas and sense among people or businesses.. It is a bonding element that makes it possible for people to work in a constant way within a group, allowing employees to share new ideas, discuss problems and work between departments more effectively and efficiently (Hartman, 2006).

Figure 7. Creativity Climate
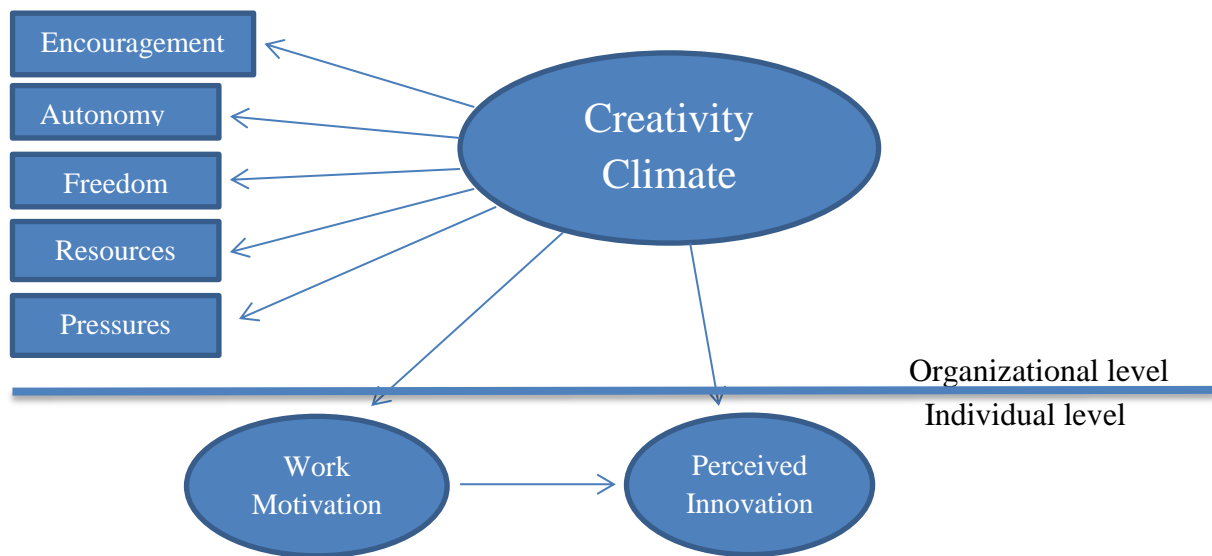
This can be done through two types of organizational communications: formal and informal. Formal communication is the official communication within any organization. This type of communication regulates the information transfer among employees. Therefore rules, procedures and regulations are already put in place that helps everyone within the organization to figure out and solve a problem (Yenen, Ozturk & Kaya, 2014). The other type of communication is informal communication, which refers to the interpersonal network and how employees behave toward the organization (Yenen et al, 2014). This type of communication is spontaneous that can be realized without previous planning in a speedy and flexible way.

Organizational communication is related to organizational climate because the overall organizational climate is consisted of members' perceptions of dimensions that are part of the organizational life (Guzley, 1992). One such perception is the flow of information that needs to be available at any given time and that everyone within the organization knows where to get the information that is needed (Hartman, 2006). But, for the organizational communication to be significant and positive among employees, Guzley (1992) presents three very important variables related to organizational communication. These variables are acceptance, accuracy, and directional flow of information. These variables have been found to be positively related to five organizational climate variables, such as communication, decision making, leadership, motivation, and goal setting (Guzley, 1992).

But, organizational commitment is also related to organizational climate in a way that it represents the members' (employees') beliefs and attitudes about the organization (Guzley, 1992). It means that if the beliefs and attitudes of the members of the organization are

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positive, then they will be committed to the organization. Organizational commitment, as described by Yenen, Ozturk and Kaya (2014, p. 13) is the level of employees' attachment to an organization. This commitment represents a relation between the organization and the employee at which the employee feels connected to the organization that he/she works for. Organizational commitment, as seen by Nadium (2015), can be classified into three factors:

- Organizational commitment as a strong belief in accepting the goals and values of the organization,
- Organizational commitment as a willingness to show effort on behalf of the organization and
- Organizational commitment as a desire to stay with the organization.

Any one of the described factors could be enough to produce the right behavior; staying committed and loyal to the organization. This is extremely important because committed employees are more likely to get involved in the change process, demonstrate that they are willing to work toward that change, and take responsibility for successful implementation of the desired change (Nadium, 2015). Such committed employees are the basis to the creation and sustainability of positive work climate that could lead to attitudes and behaviors that are beneficial to the organization (Nadium, 2015).

Although the importance of commitment is crucial issue for organizations, not all employees are committed to the organization equally. This inequality among members of the organization and the management is even bigger in crisis situation when less emphasis is put on employees' satisfaction, training, performance, and compensation systems. According to Noordin, Omar, Sehan and Idrus (2010), commitment is effected by three dimensions:

- Affective commitment: the willingness to act on behalf of the organization and the desire to be part of the organization in the future. This represents the employees' emotional attachment, as well as their identification and involvement in the organization.
- Continuance commitment: this commitment is related to the costs associated with leaving the organization. Continuous commitment is effected by two factors:
  - Lack of alternatives and
  - Personal sacrifice
- Normative commitment: staying with the organization for the reason of feelings of obligations for something. Employees who have high normative commitment ought to stay with the organization.

Krajcsak and Gyoker (2013) believe that commitment has connection to intrinsic motivation. Catania and Randall (2013, p.32) describe organizational commitment as the desire to work primarily for the purpose that work itself is interesting, satisfying and

challenging to a person. This type of motivation influences employees' attitude to work harder and to work more for the sake of the job itself, and for that, employees want to be acknowledged, to become experts, and to take responsibility. The perfect example of how intrinsic motivation work is Herzberg's two-factor theory. In his theory, Herzberg distinguishes between the satisfactions (influenced by the motivator factors) and dissatisfactions (influenced by the absence of the hygiene factors like salary, work conditions, etc). Since job satisfaction is considered motivator factor, we can see that motivation is essential to commitment (Krajcsak & Gyoker, 2013). The figure below shows the correlation between satisfaction and dissatisfaction.

Figure 8. Herzberg's Two-factor Theory

Source: M. Krajcsak and I. Gyoker, How *to increase workplace commitment?,* 2013, p.41, Figure 1.

Working in today's turbulent environment has identified the importance of creating an organizational climate as a link between members of the organization and the organization itself. That is why organizations need to develop climate that supports formal, coordinated and organization-wide communication (Nadim, 2015), as well as commitment among employees that they identify themselves with a particular organization (Yenen, Ozturk & Kaya). The concept of organizational climate needs to be distinguished from other concepts because it explains the human behavior and functioning of any organization (Al-Shammari, 1992).

3.3 The Importance of Attracting and Retaining Creative Talent

Today, the success of any organization relies on having the best talent in place for now and for the future. As society is getting more advanced, organizations are in greater depended on professionals mainly for their talent and expertise. Since the market for workforce became global, organizations are not only competing for talent nationally, but also internationally. The competition has never been more aggressive, and organizations are constantly looking for ways to attract professionals (employees) that are distinct in three generations. According to Earle (2003), the three generations that compose today's workforce throughout the world are:

- **The baby boomers**: this is the oldest working generation, and it refers to those born between 1946 and 1965. This generation still holds the biggest part of the total workforce

globally. The baby boomers achieve their goals through the organization's mould of corporate identity, and believe that the harder they work, they further ahead they get. They have come to the point when they are nearing the top of the system. The baby boomers like working in stable, calm, and quiet environment, and they are proud of their knowledge and expertise and want status, recognition and respect.

- **Generation X**: this generation comprise from those born between 1966 and 1977. This generation is not interested in following their parents' footsteps because they are in the search for work-life balance based on their individual needs (Jorgensen, 2003). Members of this generation value independence, open communication, do not believe in paying dues, seek to acquire skills and expertise, do not have long-term loyalty to an organization, and want to take on leadership roles. For them, the hunt for personal values and goals is more important than goals related to work.

- **Generation Y**: this generation refers to individuals born after 1977. Also known as Net generation or Millennials, members of this generation demand most from the work environment and have more tendencies to leave an organization if they are not satisfied. This generation sees the job based on the content of the work environment, prospects and career opportunities, and social contact. Although the members of this generation are resistant to rules and hierarchy, they look for mentoring, community, recognition and structure (Earle, 2003), but they also have strong work ethic, have self-confidence and optimism about the future and are well educated (Jorgensen, 2003).

Attracting and retaining the best from each generation presents tremendous challenge because not only that they want to be compensated, but they also demand work where they can develop their skills and match their personal interests (Berggren, 1999). The first step toward attracting professionals is to find a pool of acceptable candidates, better known as the recruitment process. Recruitment, as described by Kailprasad (2006), is the process of acquiring capable people that includes screening, interviewing, and checking references. The recruitment process can be done through advertising or the use of a service of an agency. When recruiting, organizations need to:

- Try to employ people that organization(s) can personally vouch for their abilities,
- Look for basic ability, experience, and personality and
- Look for candidates' skills required for the job.

But, the innovativeness of the organizations, as explained by Leavy (2005) is also shown by hiring individuals with abilities and interests beyond their capabilites, as well as people from various backgrounds and personalities. Last but not least, the involvement of peers in the selection process should also be considered.

Not all organizations offer the same benefits and salaries to attract and retain employees. This highly depends on the type of culture that each organization nurtures. Glinow (1985) distinguishes among four cultures that vary greatly when it comes to their policies for attracting, evaluating, and retaining professionals. These four cultures can be described as follow:

- **The apathetic culture**: this culture can be found in strong monopolies, cartels, some public sectors, and stake-owned enterprises. To attract professionals, organizations that support this type of culture offer high job security. They also attract professionals using lucrative contracts. They only support one way of doing things (matters of custom). Most of the retention strategies used by this culture concentrate on rewards (autonomy, job security, golden handcuffs).

- **The caring culture**: this type of culture is highly concerned with employees. Attracting employees is mostly done through the people-oriented strategy, therefore attracting professionals using management practices. Also, this type of culture focuses on geographical location, school district, child care facilities, and resources. Some front-end bonuses may be visible to attract technical professionals. But, the main focus when attracting is put on the needs of each individual (professional). When it comes to retention, organizations focus on keeping each member of the organization happy. Therefore, numbers of surveys are designed to deal with any problem that may arouse. Also, professionals are offered opportunities for training and development, as well as programs to help them develop better skills and expertise. Most importantly, caring cultures look to promote within the organization, therefore stimulating employees to work even harder.

- **The exacting culture**: organizations that support this type of culture are the opposite of the one who support the caring culture and rely heavily on managerial leverage to help professionals. Most of the strategies used by this type of culture are success-oriented and performance-driven, utilizing financial rewards, front-end bonuses, and special award and recognition programs. The attempt of the exacting culture is to assure professionals that their skills will allow them to be all they can be. Some of the strategies for retaining professionals focus on sharing of profits and stock offers.

- **The integrative culture**: this type of culture has high concern for people matched with strong performance. Attracting professionals is done using compensation and benefits including stock options and bonus plans. Career oriented rewards are also offered. This may include tracking professionals' career and counselling. But, organizations with this type of culture concentrate on high achievers and offer responsibilities and jobs to some industry standards that are not easy to achieve. On the other hand, it retains professionals by offering job security, training and development, as well as opportunities within the organization. Programs are designed to encourage performance among professionals.

The above four cultures differentiate companies how they attract and retain professionals. This does not mean that organizations should follow any of the cultures described, but rather it serves as a tool in helping organizations when selecting the proper strategy for attracting and retaining professionals (Glinow, 1986). Although people want higher salaries and more benefits, we also see that providing a better work environment is also important and could be an effective tool for attraction and retention. Some employees are

willing to tolerate poorer work environment (like the Baby Boomers), but some pay attention to the quality of the work environment (generation X) that have many years left to spend there, along with the job security if they have mortgages to pay. For generation Y, the work environment is somewhat important when accepting or leaving an organization. One way or the other, the quality of the work environment can improve employee motivation and creativity (one thing that is crucial to innovation and creating an innovative culture) and it could serve as an option for reaching better results (Earle, 2003).

If organizations want to attract and retain the best from the best, then they must create an environment that would be challenging and motivating for employees to do their best. This means that organizations need to develop a culture of continuous innovation and creativity that could represent business advantage for the organization itself. Creating the innovative culture means creating environment with happy employees and taking an interest not just in employees' professional lives, but also in their personal lives. This means that organizations are committed to their employees as individual beings of the organization, not as units of work. Therefore, organizations need to provide employees with meaningful work, information, leadership, involvement, feedback, and career opportunities. These intangible benefits are what employees look for and what each organization must give if it wants to attract and retain its professionals (Noordin, Omar, Sehan & Idrus, 2010).

3.4   Limitations for Organizations

Organizations all over the world are faced with obstacles to innovation and creativity, which can limit the organizations' ability to remain competitive and profitable (Madrid-Guijarro, Garcia & Van Auken, 2009). These limitations (obstacles) vary from more obvious to subtle and could emerge from organizational structure or employees themselves. The tendency of each limitation is to eliminate any possible creativity or idea, and because of that, it is crucial for organizations and managers to identify and remove these limitations. Not dealing with these limitations can reduce organizations' ability to innovate, therefore taking the risk of becoming uncompetitive (Madrid-Guijarro et al, 2009).

Probably the biggest and most significant limitation to innovation is the limited funds (resources), better known as cost. Many organizations are scared to invest money in innovation(s) simply for the reason that they are taking a risk of investing in something that is difficult of assessing the viability of that particular innovation or creativity (Madrid-Guijarro, Garcia & Van Auken, 2009). This could also lead to conflict between managers and owners who are operating with limited resources and any potential investment in new innovation or creativity that might go wrong is a potential loss (cost) to them. The higher the investment, the bigger the risk managers/owners are taking (Madrid-Guijarro et al, 2009). Since the global financial crisis (GFC), managers and owners are in no position to take on big loans, especially the owners of small businesses, who are seen from the banks as too risky (Kotey & Sorensen, 2014). This is another big hit for organizations (small

businesses) that are limited in their access to finance and cash flow situations, therefore creating a barrier to innovation.

Another significant limitation to innovation and creativity is technology. Bringing in new technology in order to be innovative has its limitations, like training employees to use the new technology, which could also be associated with inquiring new costs (Kotey & Sorensen, 2014). Also, bringing in new technology requires purchasing of new machines. Although these machines can be leased or rented, it still represents a cost, one that might not be affordable for managers and owners.

Resistance to change is yet another limitation. Employees usually resist change because it is associated with hard work and it requires adjustments in patterns, habits, and approaches (Sadi & Al-Dubasi, 2008). Although change is seen as an improvement, employees resist it because it may be related to negative past experience; sometimes, employees even get frustrated when asked about it. Not only that they get frustrated, but they are less likely to embrace any kind of change in the future (Sadi & Al-Dubasi, 2008). The resistance to change can be a loss for any innovation or creativity that may have come out of it.

Another significant limitation to innovation is self-confidence. This is related to behavioral elements such as optimism, passion and self-image, as well as employees and managers' behavioral norms such as trusting each other, being aware of their own actions, being assertive and decisive, and keeping cool in times of crisis (Sadi & Al-Dabasi, 2008). Not being self-confident means that employees and managers are not in a position to "walk the line" nor are they able to delegate tasks or activate a two-way flow of information. Without this, organizations are in no position to neither innovate nor create new ideas. This could lead to poor performance, therefore limiting organizations' ability to stay ahead of the competition. Self-confidence is strongly related to weak management commitment, which according to Madrid-Guijarro et al. (2009) is among the most significant limitations to innovation and creativity. Weak management commitment is very often questioned by employees toward implementing and embracing any kind of strategy that leads to innovation, along with management's poor communication and lack of commitment. Weak management support can disrupt routines and schedules that lead to innovation and creation of new ideas (Madrid-Guijarro, Garcia & Van Auken, 2009).

The firm's external environment is also barrier to innovation because a variety of influences such as global competition, government policy and economic uncertainty could all affect the organization's strategy toward innovation. The pressure that comes from the external environment limits organizations to effectively implement innovation(s) and maintain market competitiveness. Working in an extremely turbulent environment triggers firms to innovate in order to stay competitive and survive, but it all depends on the ability organizations have to gather information about the environment's opportunities, changes in technology, etc.

4 SUSTAINING AN INNOVATIVE CULTURE

A breakthrough concept or product can give organization head start ahead of its competition, but this can only be short-lived. Organizations need to face with the reality that they must continuously innovate to survive the rapidly changing and fast moving business environment. For the purpose of that, they need to sustain its innovation and the culture that supports such innovation. Sustaining the culture that supports innovation cannot be done if employees are not motivated and if there is not constant recognition and reward system(s) put in place.

4.1 Motivating Employees

Motivated employees are willing to work and sacrifice everything toward achieving the organizational goal(s). When motivated, employees tend to complete certain tasks faster, better and without procrastination, although the task(s) may not be very enjoyable. According to Hartman (2006), motivation is the key for employees to generate and implement innovative ideas. It also drives employees to behave in certain manner, gives them direction and maintains, reinforces and redirects their behavior. Catani and Randal (2013, p. 31) explain the concept of motivation as a force that affects the form, direction, intensity and duration of work provided by each individual. This force may come from a range of different factors. These factors may include financial compensation (salary), recognition and satisfaction from personal achievements as a new way of motivating and stimulating employees to be more productive and happier at the same time (Damij, Levnajic, Skrt & Suklan, 2015).

The functioning of the organization cannot be possible if it is not for motivation because motivation is what satisfies employees and make them committed to their job (Vandercammen, Hofmans & Theuns, 2014). So that employees can be motivated to get involved in spontaneous and innovative activities, they need to feel that they are part of and have strong identification with the organization they work for. Hartman (2006) explains some expectations that need to be shared among employees to generate motivation to innovation. These expectations include:

- Innovation is encouraged and supported;
- Challenging the status quo is also part of the organization;
- Focusing on the long run as a key to organizational survival;
- Considerable risks can be taken;
- Failures represent chances for learning;
- Employees are free to try new things and be creative;
- Information is shared among all members and departments of the organization and
- Employees are the most valuable capital of the organization.

What is important for organizations to understand is that not all employees are motivated by the same things. That is why Catania and Randal (2013) have distinguished between two types of motivational factors: intrinsic and extrinsic. These two cannot be measured together because each one of the factor measures different aspect of the construct.

Intrinsic motivation refers to self-motivation based on values related to employees' self-esteem and the pleasure and happiness employees feel in what they do (Hissong, 2004). This effective and lasting motivation comes from within. Extrinsic motivation on the other hand, refers to motivation that comes from external factors like salary, impressive titles, power, or big offices. But this behaviorist perspective has a high probability to evaporate and employees could feel disappointed, mainly because of the feeling that they are not getting what they deserve. That is why employees should rely on their intrinsic motivation, one for the reason that it could be the key to truly rewarding and long lasting career (Hissong, 2004).

Studying what motivates employees has led to the creation of many theories such as equity theory, expectancy theory, and incentive theory. Although these theories have been widely used, Vandercammen, Hofmans and Theuns (2014) explain that the most popular theory, supported by many branches (education, sport, psychotherapy, health care, and work and organizational psychology) is the self-determination theory (SDT). The idea behind SDT is that motivation is drawn based on three psychological needs (the need for autonomy, competence, and relatedness). But the creation of this theory relies not only on the psychological needs, but also on specific experiences that have shown to be affective.
SDT is divided into two categories, autonomous and controlled motivation. Autonomous motivation is the sense that employees experience to participate in activities that are according to their interests and values (Vandercammen, Hofmans & Theuns, 2014, p.3-22). The autonomous motivation is further divided into two categories; one that shows employees' engagement in activities because these activities fit their personal goals (identified motivation) and the other that explains employees' interest in doing things because these things are enjoyable and make employees happy (intrinsic motivation). On the other hand, controlled motivation refers to activities that are performed because of pressure. This pressure can be either internal or external, depending on the situation. Controlled motivation is further divided into two subgroups: external and introjected motivation. When employees are externally motivated, they behave to avoid punishment or to receive award, while introjected motivated employees behave in a way to avoid feelings of shame and guilt (Vandercammen et al, 2014). According to SDT, the type of motivation that needs to be considered by all organizations and employees is intrinsic motivation. This inherent drive and orientation as explained by Gow, Warren, Anthony and Hinschen (2008, p. 217) has led to the creation of many benefits to the organization(s). Vandercammen, Hofmans and Theuns (2014), have identified the following benefits:

- Increased vitality and well-being;

- Intellectual, subjective and emotional engagement;
- Productive and innovative performance;
- Strong work effort and
- Continuous knowledge sharing.

When studying motivation, it is also important to take into consideration the age difference among employees in every organization. As we mentioned earlier, today's workforce is consisted of three generation; baby boomers, generation X and generation Y. It is obvious that every generation and its members are not motivated by the same thing(s) specifically because of differences in the social and environmental context present during formative years. Understanding what motivates members of each generation is essential in order to design jobs, training and reward and incentive schemes within organizations. According to Catania and Randal (2013), intrinsic motivation increase while extrinsic motivation decrease with age; this happen because as workers get older, they are more motivated by intrinsic motivators as money (extrinsic motivator) become less of a factor since they are already financially secured. However, living in today's global economic uncertainty, employees (regardless of their age) may be motivated more by extrinsic factors, therefore decreasing the effect of age on motivation (Catania et al, 2013).

Many studies have been conducted to find the most and least effective motivation strategies. According to a research conducted by Horwitz, Chan and Hesan (2003), the most popular and highly used strategy is to give employees freedom to plan their work. Almost 67% of the participants (organizations from various industries) have ranked this strategy as the "number one" when it comes to motivation. This strategy is followed by a challenging work environment and support from the top-level management. Creating an environment that could lead to this may be challenging, but organizations are in no position to pick. Surviving the already difficult business climate has made organizations even more eager to work toward building such environment to keep everyone within motivated and happy. The strategies above along with leadership, fulfilling work, and participation in key decisions could also be a factor for lower employees' turnover, something that any organization strives for. Any of the strategy that serves as motivation relies on open communication, conductive environment, compensation and opportunity.

Figure 9. Motivation Strategies
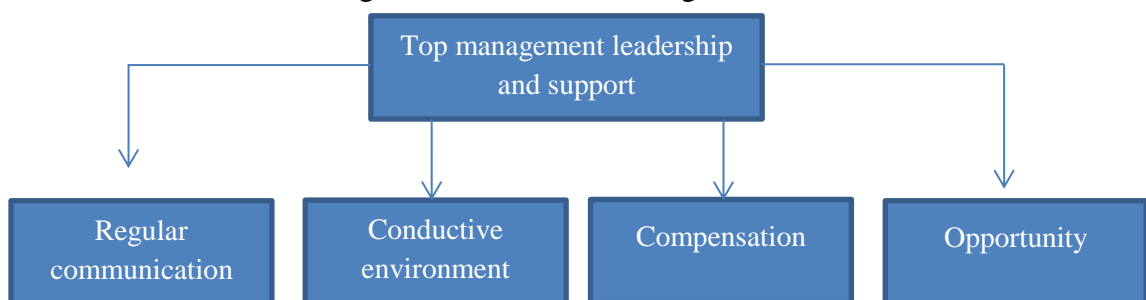
Source: F. Horwitz, T.H. Chan and A.Q. Hesan; *Finders, keepers? Attracting, motivating and retaining knowledge workers*, 2003, p. 41, Figure 2.

There are other strategies to be used that are less effective but still could be a factor to motivation. These strategies include flexible work practices, employing large group of knowledge workers, cash award for innovations, seeking recruits who fit culture, etc (Horwitz, Chan & Hesan, 2011).

4.2 Recognition and Reward

The most effective means of rewarding employees for generating innovation, creating ideas and putting work day in and day out is a matter of debate. Some may feel that employees should be provided mainly with extrinsic rewards (bonuses), but this could be a factor in destroying employees' intrinsic motivation. According to Jamrog, Vickers and Bear (2006), employees should be encouraged to be creative through tangible and socioemotional rewards that could lead to employees' orientation toward creativity and motivation. This means that organizations can use traditional reward systems to motivate employees to be more creative without reducing their intrinsic motivation. But the opposite can be true as well. The AMA/HRI survey found that the most commonly used form of rewards (among 1356 global respondents) are nonfinancial. 21% of the participants said that innovation is recognized with nonfinancial rewards, while 17.6% said that innovation is rewarded by individual bonuses and salary increase, meaning that organizations are more focused on providing employees with intrinsic motivation. Organizations have identified the importance of providing employees with intrinsic motivation because using financial reward is like playing with fire; there may be a fine line between too much and too little that could lead to employees focusing more on the reward than on the innovation itself (Jamrog et al, 2006).

Establishing fair and transparent reward and recognition system is extremely important for any organization because it provides employees with a fair return on their efforts, motivates employees to maintain and improve performance, clarifies what the organization values (Science, 1995), and maintains conductive work environment as well as behavior of employees (Abbasi & Rana, 2012). "Sciences" (1995) came up with ten key points that organizations should follow in order to create effective and efficient reward and recognition system. These include:

- Involving employees in the creation of the recognition and reward program; employees will not what it needs to be done in order to be rewarded. They will be more motivated since they know they created the system. This could also create respect among employees since they will know what their co-workers need to do in order to win. Most importantly, employees will create a system where everyone within the organization can be rewarded;
- Specify reward criteria; employees need to know what they need to do in order to win. Without such information, employees will not be motivated to innovate;
- Reward everyone who meets the criteria; it is better to reward everyone who meets the specific criteria for a reason of having more winners then losers. What is the point of

rewarding only one employee if many or all employees meet the criteria. The more winners, the better;

- Recognize behaviors as well as outcomes; organizations should reward not only employees' outcome, but also recognize small behavior shifts such as arriving on time, helping another employee etc. These things may be expected from all employees, but giving a small recognition (for example positive feedback) will not hurt;

- Individualize rewards; employees do not have the same taste, therefore organizations should give employees what they want. Before reward each employee, organizations should check and see if the reward is right for that individual;

- Say "thank you" frequently; saying "thank you" is a small acknowledgment, but it is as important as recognizing someone for a big achievement. It also demonstrates the support that employees have from the organization and its managers;

- Encourage self-esteem; boosting employees' self-esteem turns them into individuals who set and meet challenging goals and self-manage their work. Managers and organizations can encourage self-esteem by giving positive, specific and realistic feedback related to employees' accomplishments and potential;

- Foster intrinsic rewards; this type of reward comes from employees' feeling of doing their work that they enjoy and are excited about. Intrinsic reward cannot be created, but organizations can create an environment that encourages such reward. This means that employees know their work is worthwhile and that they are encouraged to try new things without the fear of potential failure;

- Reward the whole team; when working in teams, it is important to reward and recognize the whole team for a job well done. This should be done with caution because there are team members who give more effort and some who ride along on the effort of others. Such situation can create problems, so organizations need to pay close attention when rewarding teams;

- You get what you reward; organizations need to be very careful who and what they reward because it can create confusion among employees. Organizations must reward in accordance with their values, otherwise the stated values will be meaningless.

There are some additional components that each organization needs to understand before implementing the reward system. According to Noordin, Omar, Sehan and Idrus (2010), these components include:

- What organizations pay employees for;
- What accomplishments organizations want from employees;
- Employee compensation consists of both investment and rewards;
- The need to articulate the compensation philosophy and
- A compensation distribution matrix.

The role of organizations' human resource management (HRM) is vital to the development and implementation of the reward system. The HRM is responsible for the system of

rewarding and appraising employees to run smoothly, and at the same time, to be well communicated among members of the organization. By doing this, organizations create system in a healthy work environment to reward and recognize employees and encourage them to enhance their performance toward innovation and the creation of new ideas (Abbasi & Rana, 2012). What needs to be understood is that any reward system is classified in several dimensions. According to Abbasi et al (2012), there are four such dimensions:

- Individual (employee) output reward; this reward is related to each employee performance and its productivity. Each individual is rewarded based on these two aspects;
- Group output reward; this type of reward encourages team work and collaboration, therefore helping organizations achieve their goals in an effective and efficient manner;
- Human capital reward; this dimension of the reward system is related to management's ability to develop their human capital toward goal achievement, create a pay base structure, and enhance employees' skills and
- Position reward; this type of reward helps employees understand their job and the responsibilities that come with it, so that employees can perform and show better results.

Any organization should rely on some kind of reward and recognition system because it is a factor that leads to strengthening employees' behavior, keeping them motivated, and making them feel more comfortable. A reward system that gives employees worthwhile work, business information, involvement in the decision making process, positive feedback and opportunities to climb the hierarchical ladder could lead to the development of innovation as well as to long-lasting and bright future (Noordin, Omar, Sehan & Idrus, 2010). Organizations should put in mind and remember that the reward system is not just to improve the performance of the organization, but it is also to acknowledge the right person at the right time for the right reason (Abbasi & Rana, 2012).

5 EMPIRICAL STUDY

In order to assess the current situation regarding innovation and the culture that supports innovation, a survey has been conducted among employees from Macedonian organizations that compete on the domestic as well as the regional and global market.

5.1 Goals of the Study

The Macedonian market is relatively small with companies trying to achieve greater good by expanding and spreading their business on the regional and global market. Many have struggled to make that transition or come up with ideas and creations to sustain and be successful. Others have found it very difficult because of the lack of resources and knowledge that could help them not only to grow, adapt, and become leaders in the industry, but also to achieve competitive advantage. That is why it is extremely important

for the Macedonian companies to be innovative because it is a way of responding to the local, regional and global trends. It is also a way of developing unique selling points and increasing the productivity of the organization(s).

Innovation has become the core driver of growth, performance, and valuation, and for those reasons, **the goals of the study** are:

• To analyse employees' perceptions about different components of organizational culture (values, trust and self-reliance, teamwork, collaboration, communication, and knowledge sharing);

• To analyse employees' perceptions regarding the organizational activities and support for innovation.

5.2   Sample and Data Collection

The sample for this part of the study includes 50 participants (employees) working in the private sector and involved in the service, merchandising, and manufacturing business. All of the participants are part of different size of organizations, starting from micro (0-10 employees) all the way to large size organizations (over 250 employees).

The questionnaire along with the additional background information was delivered using Kwik surveys (2016), free to use online survey builder, designed for use by people of all experience levels. Prior to the survey, a test trial was conducted by collaborators in order to prove the validity and functionality of the internet platform. All participants were invited to participate in the internet based survey via email in the month of May, which led to completing the survey within a week.

The data for the quantitative survey has been acquired through the internet based survey that took place via Kwik surveys (2016). The quantitative survey data received from each participant were inserted in a spreadsheet and analyzed by using different display types such as pies, columns, etc.

5.3   Questionnaire

The research for this thesis is empirical, based on a quantitative survey that relies on a structured questionnaire (Appendix A). The questionnaire is prepared in a way that each participant will need to answer questions divided in five categories. All questions are related to innovation and innovative culture. All categories are in strong relations and are the key to building and sustaining a culture of innovation.

The first category is related to organizational value and behavior. This category is important particularly because values are the key to any corporate culture and they provide a sense of common direction for employees and guide them to their day-to-day behavior.

Since our actions are influenced by preferred beliefs, values are the key to understanding those beliefs. Employees will be asked to answer 13 questions and whether or not they agree or disagree with each question. The scaling ranges from 1 (one) to 5 (five), where 1 (one) represents strongly disagree statement and 5 (five) strongly agree statement.

The second category focuses on trust and self-reliance. This category will explore and give brief explanation of the level of trust employees have in their self and among each other. This part is also important because organizations cannot operate in an environment where trust and self-reliance are an issue and possibly a treat for the success of any organization. For that reason, employees will be asked to answer five questions. The scaling for this part ranges from 1 to 5, where 1 (one) represents a little and 5 (five) a lot.

The third category in the questionnaire relates to teamwork and collaboration, another key characteristic to the creation of innovation as a result of combined ideas that could lead to the creation of new and better product or service. This category will focus on identifying the team work that happens within organizations as well as the collaboration that is part of the whole process of working together. Employees will be asked to answer four questions on a scale of 1 to 5, 1 representing strongly disagree statement and 5 strongly agree statement.

The fourth category focuses on communication and knowledge sharing, where employees will be asked to answer questions regarding communication and knowledge sharing as a vital component in the everyday existence of all within the organizations. This category is extremely important because all employees direct their decisions through communication and knowledge sharing. Participants will answer 9 questions, ranging on a scale of 1 to 5, where 1 represents strongly disagree statement and 5 strongly agree statement.

The last category is related to organizational innovation, where all the questions will be focused on the overall innovation that is part of any organization. This may be the most important part of the questionnaire simply for the reason that it looks at the overall picture participants have regarding innovation not only as essential to long-term organizational survival and success, but also as the starting point for any organization toward building sustainable innovation and culture that supports it. Participants will be asked to answer five questions on a scale of 1 to 5, where 1 represents strongly disagree statement and 5 strongly agree statement.

5.4 Results

The results of the online questionnaire were drawn based on the answers of all 50 participants, out of which 32 (64%) were man and 18 (32%) were women. Looking at age, the results showed that most of the participants were between age 26 and 35 (54%) followed by the age group 36 to 45 (20%). This group was followed by the age group 18 to 25 (12%), 46 to 55 (8%) and participants with age 55 and over (6%). Most of the

participants that took place in the questionnaire work in the service business (24), followed by the merchandising business (14) and manufacturing business (12). The size of the organization shows that 16 participants or 32% are employed in small size organizations, 15 participants or 30% in medium size organizations, 12 participants or 24% in large size organizations and 7 participants or 14% in micro organizations.

The main research question of the empirical part is: What are employees' perceptions about the various components of an innovative organizational culture?

In the following I analyze employees' perception of different aspects of culture, which are crucial in creating an innovative organizational culture.

Organizational value and behavior

The first part of the questionnaire relates to organizational value and behavior that is important to the creation of the innovative organizational culture because values give employees direction and guide them to their day to day activities. These values represent beliefs upon which employees act by preference and are the desired wants, preferences, likes and dislikes for ideas, conditions and situations. Because employees' actions are influenced by beliefs, values are the key to understanding those beliefs. Focusing and understanding employees' values are the key to how employees behave and how they feel about what they do. Since our focus is on innovation and creating innovative organizational culture, managers and organizations must pay attention to the employees' values and their work behavior. The table below presents the results for this part of the questionnaire.

The main concern with this part of the questionnaire is that only management is allowed to make decisions, where 60% of the respondents agreed or strongly agreed with this. When it comes to innovation and creating an innovative organizational culture, everyone within the organization should be involved in the decision making process, therefore working together toward creating new ideas and innovations. Another concern is the self-discipline of each employee, where participants (23% of them) believed that the reason for the things that happen within organizations was not because of employees' self-discipline; 40% of them felt moderate.

One thing that comes out positive out of this part is the feeling that employees have as being part of the organization; 60% of the participants agreed or strongly agreed with this, which indicates that employees love what they do and who they work for. This finding also indicate that employees are ready to tackle problems and fight for their organization, but most importantly, it indicates that employees are valued for their work and for what they stand for within the organization. Not only that employees are valued and recognized, but they are to stick around and without them, the organization (department) would be worse off.

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Table 1. Organizational Value and Behavior

Question	Responses	1- Strongly disagree	2- Disagree	3 - Moderate	4 - Agree	5- Strongly agree	Standard deviation	Weighted average
Things happen around here because of the self-discipline of each employee	47	1	10	19	14	3	6.71	3.17/5
Most employees do not leave this organization because it provdes security	47	0	10	14	11	12	4.88	3.53/5
The employees feel their jobs hold high esteem and are of great value to the organization	47	3	4	20	14	6	6.56	3.34/5
The employees feel they are recognized for their work	47	2	6	17	12	10	5.12	3.47/5
There is enthusiasm among employees to better job performance	47	2	10	13	15	7	4.59	3.32/5
When things go wrong, the main concern is to fix it, not to lay blame	47	3	8	15	9	12	4.03	3.4/5
The employees feel they are part of the organization	47	1	5	13	14	14	5.39	3.74/5
The employees feel a real responsibilty to make things work	47	0	7	13	18	9	6.02	3.62/5
There is partnership between managers and employees	47	2	7	14	13	11	4.41	3.51/5
Both managers and employees want to create better job performance	46	1	6	12	13	14	4.96	3.72/5
Only management is allowed to make decision	47	1	12	6	12	16	5.28	3.64/5
Management main concern is to make money	46	6	4	13	16	7	4.53	3.3/5
The management display real leadreship traits and are respected by employees	47	2	7	14	15	9	4.76	3.47/5

Another positive result is the creation of better work environment along with better job performance from both managers and employees; 57% of the participants agreed or strongly agreed that want to create better work environment while improving the overall job performance, something that is very important when it comes to the creation of innovation and the innovative organizational culture. This is necessary because it can lead to better job security, career development, advancement opportunity, earning's potential, and work pride. Also, it could be beneficial to everyone within the organization, therefore creating a less stressful environment and better cooperative and innovative culture.

Trust and self-reliance

In the second part of the questionnaire, I analyzed trust in relation to an innovative culture. Trust is one of those things that the creation of any innovation cannot be achieved without because employees and managers need to have faith in each other and be fair. Innovations and ideas cannot be created based on lies and because of that, organizations need to strive to build the innovative organizational culture based on trust and self-reliance. The table 2 below presents the results for the second part of the questionnaire.

Table 2. Trust and Self-Reliance

Question	Responses	1- Strongly disagree	2- Disagree	3 - Moderate	4 - Agree	5- Strongly agree	Standard deviation	Weighted average
How much does your manager encourage teamwork?	46	1	2	16	14	13	6.37	3.78/5
How much effort is made to get the opinions and ideas of teammates/co-workers?	44	6	2	17	13	6	5.42	3.25/5
How much collaboration do you have with your teammates outside the team?	46	3	2	15	20	6	7.08	3.52
How much collaboration do you have with employees from other departments?	46	1	8	16	12	9	4.96	3.43/5

The results for the second part of the questionnaire indicate that employees trust themselves and the people they work with. The highest ranked is the employees' trust to support the organization and the people that work in it; 87% of the participants agreed and strongly agreed with this and it is a positive indicator to the creation of new ideas and innovations because trusting yourself is the most empowering decision that one can make. Trusting yourself can allow those around you to better know the real you. But most importantly, trusting yourself is about sharing your knowledge, knowing that you can make a difference and impact those around you. The confidence that employees have to survive organizational change also ranks high, indicating that employees are not in denial or resistance to change if it comes to one. This is extremely important to organizations that are yet to make the transition to innovativeness and creating a culture that support innovation because employees can control their thoughts and emotions, let go of the past and focus on the future, be flexible and adaptable, find balance and live in the mind of continuous improvement. 80% of the participants felt confident that they can survive any kind of organizational change, of which 45% felt extremely confident and 35% of them felt confident enough. This could also be a sign that some companies have already made some organizational changes and adjustments toward creating innovative organizational culture, and the people (employees) working for those companies have followed the particular change(s) that might have been made. The only concern with this part of the questionnaire is the trust that employees have in their managers to support them, which indicates that not all ideas and creations that comes from lower level employees are accepted and carried out by the management, simply for the reason that top level management wants to control everything and all ideas and creations to come from the top. This could be articulated wrongly by the employees, and it could relate to trust issues with the management. The trust issues could also be a sign of employees' lack of courage, behavior, or any hidden agendas. The results show that 37% of the participants had moderate trust in their management to support them, while only 19% trusted their management a lot. In sum, the levels of trust found in the questionnaire represent a barrier to creating an innovative culture.

Teamwork and collaboration

The third part of the questionnaire is related to teamwork and collaboration, and I tried to analyze the level of collaboration teams have when it comes to the creation of new ideas and innovations. Team work and collaboration is important because innovations cannot be achieved if it is not for teamwork, where people work together, share ideas and solutions, and work toward finding that one innovation that could strike gold. Creating the innovative organizational culture cannot be imagined without the efforts of employees combined together to achieve better and more sustained ideas and innovations. The table below shows the results for this part of the questionnaire.

Table 3. Teamwork and Collaboration

Question	Responses	1-Strongly disagree	2-Disagree	3 - Moderate	4 - Agree	5-Strongly agree	Standard deviation	Weighted average
How much does your manager encourage teamwork?	46	1	2	16	14	13	6.37	3.78/5
How much effort is made to get the opinions and ideas of teammates/co-workers?	44	6	2	17	13	6	5.42	3.25/5
How much collaboration do you have with your teammates outside the team?	46	3	2	15	20	6	7.08	3.52
How much collaboration do you have with employees from other departments?	46	1	8	16	12	9	4.96	3.43/5

The results for this part of the questionnaire indicate that the Macedonian companies rely on teamwork and collaboration only when necessary. Encouraging teamwork and collaboration from managers/supervisors is the highest ranked, meaning that managers and employees team up not just to come up with new ideas and innovations, but also to solve problems and find solutions to them. This is important because teamwork can foster creativity and learning, and it also combines strengths, builds trust, and encourages taking reasonable risk. This can also lead to increased efficiency and mutual support. 59% of the participants strongly agreed or agreed that managers encourage teamwork and collaboration, while only 2% did not agree with this. 35% of them felt moderate, which shows that teams are formed and collaborate only when necessary.

Although both managers and supervisors try to encourage teamwork and collaboration among teams, there is not enough effort to get the opinions and ideas from them, indicating that the ideas and opinions that are shared during meetings are not carried out or are totally ignored. Managers should do something about it and provide teams with feedback, even if the feedback is negative. Providing employees with feedback demonstrates some level of care and interest, which is way better than no feedback or attention at all. This should also be practiced between teammates and co-workers. 18% of the participants felt that there is none effort made to get the ideas from teams and co-workers, while 39% of them thought that some effort is made, but it is not enough. Only 14% of the participants said that efforts are made to get the ideas and opinions from teammates and co-workers. Overall, the results

from the questionnaire indicate that teamwork and collaboration could be a barrier to creating an innovative culture within the Macedonian organizations.

Communication and knowledge sharing

When it comes to communication and knowledge sharing in an innovative organizational culture, the results show that it is not at the level as it needs to be. Communication and knowledge sharing is one of the most important thing when it comes to innovating and creating new ideas because developing new ideas requires communication within and outside the organization and at the same time exchange knowledge and experience. Organizations need communication for success and survival, but they also need communication to direct employees in the right path toward creating new ideas and innovations. The following table presents the results related to this part of the questionnaire.

Table 4. Communication and Knowledge Sharing

Question	Responses	1- Strongly disagree	2- Disagree	3 - Moderate	4 - Agree	5- Strongly agree	Standard deviation	Weighted average
Most of the information I receive comes from my manager	44	4	13	20	5	2	6.73	2.73/5
Most of the information I receive comes from my co-workers	44	0	6	18	16	4	7	3.41/5
I feel comfortable sharing ideas with my manager	44	1	2	11	14	16	6.18	3.95/5
The lines of communication are open all the way to top managers/executives	44	2	3	11	16	12	5.42	3.75/5
In this organization, important information is scarce resource	43	3	4	14	14	8	4..72	3.47/5
I receive the inforamtion I need to effectively perform my job	44	0	8	8	20	8	6.4	3.64/5
My co-workers and I share important information that is crucial to our success	44	0	2	10	18	14	6.88	4/5
Most of the meetings I attend are useful for obtaining the information I need to do my job	44	0	4	11	19	10	6.49	3.8/5
The organization encourages the sharing of information between co-workers and departments	44	3	4	11	14	12	4.45	3.64/5

The only positive outcome from this part of the questionnaire is that employees share important information among themselves that is crucial for the success of the organization, showing that employees are in constant relationship and that they are not afraid to ask and share important information with their colleagues. 73% of the participants agree or strongly agree with this, while only 5% of the participants in the questionnaire do not agree with this at all. Another thing worth mentioning is the level of comfort employees have to share ideas with their managers, therefore implying that employees are not afraid to share their thoughts, ideas and creations, despite being good or bad; one of those thoughts, ideas or creations could lead to a breakthrough innovation. 68% of the participants in the questionnaire agree or strongly agree with this, while only 7% do not agree at all. Based on

the findings, the level of communication and knowledge sharing are not sufficient enough for an innovative culture to emerge.

Organizational innovation

The last part of the questionnaire focuses on the overall innovative organizational culture that each company implements and works under. This relates to the implementation of new organizational method(s) toward innovation and the innovative organizational culture. Although the previous parts of the questionnaire relate to the innovative organizational culture and innovation, this part sums up everything and analyses the organizations' innovation that each organization follows toward creating not just new ideas and innovations, but also pathways that could generate more value to the organizations. The results from this part of the questionnaire are presented in the table below.

Table 4. Organizational Innovation

Question	Responses	1- Strongly disagree	2- Disagree	3 - Moderate	4 - Agree	5- Strongly agree	Standard deviation	Weighted average
Our leadership supports innovative culture that encourages different departments working cross-functionally to identify and develop new innovations and solutions	43	3	7	7	20	6	5.89	3.44/5
Our customers are directly involved in the innovation process as a strategy for identifying both articulated and unarticulated needs	43	3	9	15	11	5	4.27	3.14/5
My organization has adequate staffing, funding, leadreship, and cross-functional management support to identify and implement new ideas	43	5	5	10	15	8	3.72	3.37/5
My organization has dedicated resources and formalized processes focused on identifying and developing incremental and breakthrough innovations	43	3	6	16	10	8	4.36	3.33/5
We often have brainstorming or other creative workshops	43	5	10	15	6	7	3.61	3/5

One area that many Macedonian employees need to improve and make additional changes is the overall organizational innovation; the results indicate that the organizations that respondents come from are not innovative enough, but at the same time, the management is not doing enough to support innovation, let alone create a culture leading in that direction. According to the results, one reason for this is not having enough brainstorming or other creative workshops; only 30% of the participants said that they have been part of some kind of brainstorming or creative workshop, while 35% of the participants said that they have not been involved in any kind of brainstorming nor creative workshops. Another reason indicating that organizations are not innovative enough is the fact that customers are not directly involved in the innovative process (coming up with products or services) as a strategy for identifying articulated and unarticulated needs. Only 12% of the participants agreed that customers are directly involved in the process of generating new creative ideas and innovations, while 35% of the participants did not agree with this, meaning that customers are not involved in the innovative process at all.

6 DISCUSION

6.1 Recommendations for Organization

While the business environment requires a certain level of build-in routine in order to maximize innovation, that does not mean that organizations cannot have fun and be creative at the same time. What we have seen from the results of the study is that the Macedonian companies lacks that build-in routine, one that could be the spark toward innovation and the creation of new ideas, therefore satisfying everyone within and outside the company. It all starts with creating an innovative culture, something Macedonian companies are missing or have not implemented it yet.

Working in today fast paced and rapidly changing environment has forced organizations to facilitate innovation and to create a culture of innovation not only to survive, but also to create competitive advantage, to grow and become leaders in the industry. So that innovation can be increased, these are some recommendations that could be beneficial for any organization working in the service, merchandising and manufacturing business:

6.1.1 Focus on customers; involve them in the process of innovation

Organizations should put this as a priority and focus more on the customers and serving their needs. Involving customers in the innovation process could be a strong contributor to the overall success of the business, while satisfying their needs at the same time. Not only that customers will be included in the whole process, but organization will create more effective customer relations and service program. Only few organizations could stay in business without their customers; organizations are in no position to leave their customers aside because they are the driving force behind any organization. For that reason, organizations should seize customers' ideas and allow them to innovate in their own way. This could also lead to generating higher customer value and connecting with their expectations, needs and wants.

6.1.2 Encourage teamwork and collaboration

We all know that teamwork is the effort of individuals combined together to achieve common goal, and in this case, create new ideas and innovations. That is why manager need to encourage not just teamwork, but collaboration among team members, therefore working together and sharing ideas, information, and knowledge. But employees should collaborate with others outside the team, for example encouraging teams to work cross-functionally to identify new innovations and creative ideas, as well as to find solutions to already existing problems. The benefit of collaborating and working together is that ideas are combined and shared, all that done in a faster manner, therefore allowing the creation of new ideas to speed up and to be brought out quickly.

6.1.3 Rely more on brainstorming and other creative workshops

Brainstorming is one of the most effective techniques when it comes to gathering new and creative ideas contributed by all members of the organization. When brainstorming, efforts are made to find the right ideas that could lead to breakthrough innovation(s). Brainstorming is closely related to teamwork and collaboration, therefore improving the working atmosphere for the reason that it motivates employees to work creatively.

6.1.4 Involve employees in the decision making process

Bringing employees in the decision making process helps organizations and managers strengthen the relationship with each employee. Allowing employees to make decisions will gain managers respect from employees while installing a sense of responsibility and letting employees voice their opinions. When employees are involved in the decision process, they are likely to increase productivity, morale, build trust with managers, as well as increase collaboration with employees from other departments. Keeping employees in the dark is not a good option, and leaving them aside could hurt them and the organization itself.

6.1.5 Encourage information and knowledge sharing between co-workers and departments

Organizations in order to increase their innovativeness, they need to create an environment where each employee is expected to contribute and feel like being part of any innovation that might happen. This cannot be done if employees are not allowed to develop their own ideas, something that requires communicating within and outside the organization while exchanging knowledge and experience. That is why organizations need to encourage information and knowledge sharing, so that employees can speak out and share ideas and creations that could lead to innovation of any type. Information and knowledge sharing is vital to the success of any organization because it is about know-how to do it and know-why to do it.

6.1.6 Support employees to identify and implement new ideas

Today, organizations are facing an urgent need to find new ideas to meet the increasing competitive pressure and changing customer demands. The economic situation in the last couple of years has further accelerated the urgency to innovate. These much needed breakthrough ideas to drive organizational success comes from within the organization, specifically from the employees. That is why organizations need to support employees when it comes to creating new ideas and solutions, to recognize and empower innovative employees and to stimulate creative activities among them. To be successful, organizations

and managers need to ensure that each employee is encouraged to share new ideas because after all, they are the most productive asset in anyone's business.

6.1.7 Promote self-discipline

If you want employees to be creative and innovative, there needs to be a work environment in which employees will practice self-discipline. One thing is to make expectations clear so that employees will know what is expected from them. Another thing to do is to praise employees for what they do, no matter the contribution; big or small, make sure that employees work is appreciated. Last but not least, treat employees with respect because they want to feel as if they were contributing to something greater than themselves (like an idea or new creation). Promoting self-discipline could lead to self-control, time management (being more productive), and self-motivation.

6.1.8 Know how to fix things without blaming each other

The last thing you want is to be known for throwing co-workers under the bus. Instead of blaming yourself or others, try and work things out, making sure that the problem/error is not repeated again. Innovation, along with the creation of new ideas and solutions, comes with many mistakes and issues, and that is why employees need to be able to find what the problem is without point fingers at each other. For things you have done wrong, don't blame others; simply admit your mistake(s) and move on. By doing this not only that you are doing the right thing, but you are also gaining respect from managers and co-workers.

6.1.9 It is not always about the money

Today, managers and organizations are so carried away about making money that they forgot about other important things, like the employees' job satisfaction or organizational commitment. What would be organization without motived employees? How would it function? How would it work? Managers need to put it in their head that money is not all and that employees are motivated by other things besides money. What is also important for employees is the work environment and how interesting is, co-workers' attitudes toward the organization, organizational dependency, employment alternatives, career development, etc. Money is not always the way of being innovative and creative. You need other alternatives to inspire employees and to keep them motivated.

6.1.10 Trust each other

The most valuable business commodity essential to organization success is trust. Employees need to rely on trusting each other and ask for help because it is important for organizations to be creative and innovative, but at the same time, build on this elusive yet important ingredient (trust). So that innovation and the creation of new ideas can be carried

out and implemented, employees need to have faith in each other, act consistently, and be fair. Trusting each other is an on-going effort, one that takes time and attention. If there is no trust among employees, then there is no point of working together, something that could destroy everyone and everything within the organization, along with the creation of any new ideas or innovations.

6.2 Limitations of the Study

What I found interesting is that the questionnaire I prepared for the study was extremely practical because it gave me the chance to collect large amounts of information from a large number of participants in a short period of time in a relatively cost effective way. The results I got from it were quickly and easily quantified, therefore I was able to compare and contrast data and to look for the most important one.

As much as the questionnaire can be helpful, it still has some limitations. One of the biggest limitations of the study was the sample; I was only able to collect data from 50 participants, simply for the reason that gathering data from more participants was difficult. My plan was to have at least 100 participants, but after observing the pace at which the participants were completing the questionnaire, I knew it would be extremely hard to get to 100 participants; for that reason, I had to narrow my data to 50 participants.
Another limitation was the level of truthfulness each participant has; since the questionnaire was anonymous, each participant had his/her own right to answer any way they want, and it is hard to tell how truthful each respondent was. This limitation goes along with the level of effort and thought a respondent had put in. Although a questionnaire is usually filled out in a couple of minutes, participants should take their time and closely observe each question, therefore giving the most trustworthy answer.

Another limitation is that participants read differently into each question and therefore reply based on their own interpretation of the question. What this means is that there is a level of subjectivity that is not acknowledged. And since the questionnaire was distributed and filled out online, there was no eye to eye contact with participants to carefully explain each question so that they could be able to interpret as it needs to be. Because of this, participants were in no position to get an explanation of any points that they might misinterpreted.

CONCLUSION

The purpose of this master thesis was to present and analyze the importance of the innovative organizational culture not just as a key to surviving the fast growing and rapidly shifting environment, but also to improve the organizations' overall performance. For that reason, the master thesis has analyzed the main characteristics of the innovative culture, investigated how the innovative culture can be created and presented how the innovative

culture can be sustained. Some limitations to the development of the innovative organizational culture have also been addressed.

The master thesis has also explained the foundation on which the innovative organizational culture rests on, such as resources, processes, values, behavior, climate and success, all equally important to the creation of the innovative organizational culture. Not only that the master thesis explained the process of establishing and creating the innovative organizational culture, but it also addressed some ways of sustaining it. Clear sense of directions were given to each step because everyone (within and outside the organization) should know and understand how important is the creation of the innovative organizational culture.

The research for the theoretical part of the master thesis has focused on providing answers to the main research question: What are employees' perceptions about the various components of an innovative organizational culture? For that reason, a questionnaire has been prepared to address the various components, among which organizational value and behavior, trust and self-reliance, teamwork and collaboration and communication and knowledge sharing have been identified as the most important and the focus throughout the questionnaire has been on these four components. The study of the master thesis has presented some key findings among the Macedonian companies that are crucial to the creation of innovative organizational culture and becoming fully innovative. The key findings are the following:

• Only 50% of the participants perceive values as an important part to the creation of an innovative organizational culture. The biggest concern with this part of the questionnaire was that only management is allowed to make decisions; 60% of the participants agreed with this. Another concern is the self-discipline of employees, where 23% of the participants believed that the things that happen within organizations is not because of employees' self-discipline. However, one thing that was positive out of this part of the questionnaire was the feeling that employees have as being part of the organization, where 60% agreed with this, as well as the desire that employees have (58% of them) to create better work environment and improve the overall job performance.

• 73% of the participants perceive trust and self-reliance as an important part to the creation of the innovative organizational culture. 85% of the participants had enough trust to support the organization and the people in it, and 78% felt that they can survive organizational change, no matter what. However, the main concern with this part of the questionnaire was the trust that employees have in their managers to support them, where 37% of the participants did not trust their management to support them and 20% trusted their management a lot.

- Only 51% of the participants perceive teamwork and collaboration as an important part to the creation of an innovative organizational culture. 59% of the participants agreed that managers encourage teamwork and collaboration, and 35% of them felt moderate, which means that teams are formed and collaborate only when necessary. Also, there was not enough effort made to get ideas and opinions from teammates and co-workers, where only 37% agreed that some effort is made and 13% said that there was no effort at all.

- 56% of the participants perceive communication and knowledge sharing as an important part to the creation of an innovative organizational culture. The only positive outcome out of this part of the questionnaire is that employees (72% of them) shared important information crucial for the success of the organization. Employees also felt comfortable sharing ideas with their managers, where 65% of them agreed with this. However, the results also indicated that the lines of communication are not open all the way to top managers/executives, where 63% said that the lines of communication are open, while 11% did not agree with this at all. Based on the responses, the levels of communication and knowledge sharing are not sufficient enough for an innovative organizational culture to emerge.

There is no singular method to establishing a culture of innovation, but organizations and managers need to find a way to create one and make it stick, therefore paying attention to what structures, behaviors, goals and people must be in place to make it work and be innovative and creative.

Today, innovation is widely recognized as the key to sustainable competitive advantage that organizations can use to manage and survive the rapidly changing economic environment. Many studies have been devoted to innovation, suggesting that creativity and innovation in products, work processes, and services are something organization cannot survive without. Not only that innovation is important in the overall success of any organization, but it is also the starting point and the root of any new creations and ideas (Lin & Liu, 2012). To be effective, innovation has to be understood and implemented to generate real values. The way innovation is perceived by employees can help managers identify the necessary requirements, improvements, and practices that can lead organizations toward maximizing the overall organizational performance (Lin & Liu, 2012). Innovation is the new way of living, and the creation of a culture that supports innovation is the key to any organizational success, now and in the future.

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APPENDIX

Innovative culture

(Questionnaire)

Culture is one of those terms with a wealth of definitions depending on the particular context. How an organization behave is crucial for maintaining a sustainable innovative program. The innovativeness of any organization cannot be achieved without creating the right culture, one that can foster innovation. That is why the creation of innovative culture is important to any organization.

The following questionnaire will let me know to what extent you consider the creation of innovative culture necessary for innovation (creating new ideas) to exist.

The questionnaire is consisted of five parts: organizational value and behavior, trust and self-reliance, teamwork and collaboration, communication and knowledge sharing and organizational innovation. There are total of 38 questions. This will not take a lot of your time, so I kindly ask you to answer all questions.

On a scale of 1 to 5, please answer the following questions regarding organizational value and behavior (1-strongly disagree, 5-strongly agree)

Organizational value and behavior

1. Things happen around here because of the self-discipline of every employee
2. Most employees do not leave the organization because it provides a lot of security
3. The employees feel their jobs hold high esteem and are of great value to the organization
4. The employees feel they are recognized for their work
5. There is enthusiasm among the employees to better job performance
6. When things go wrong, the main concern is to fix it, not to lay blame
7. The employees feel they are part of the organization
8. The employees feel real responsibility to make things work
9. There is partnership between manager and employees
10. Both manager and employees want to create better job performance
11. Only management is allowed to make decisions
12. Management's main concern is to make money
13. The management displays real leadership traits and are respected by the employees

On a scale of 1 to 5, please answer the following questions regarding trust and self-reliance (1 being a little and 5 being a lot).

Trust and self-reliance

1. How much do you trust your co-workers?
2. How much do you trust your management to support you?
3. How much do you trust yourself to support the organization and the people in it?
4. How confident are you in your ability to survive organizational change, no matter what?
5. How self-reliant are you – how much can you depend on your own skills and abilities to help you navigate a world of change?

On a scale of 1 to 5, please answer the following questions regarding teamwork and collaboration (1 being a little and 5 being a lot).

Teamwork and collaboration

1. How much does your manager/supervisor encourage teamwork?
2. How much effort is made to get the opinions and ideas of the teammates/co-workers?
3. How much collaboration do you have with your teammates/co-workers outside the team?
4. How much collaboration do you have with employees from other departments?

On a scale of 1 to 5, please answer the following questions regarding communication and knowledge sharing (1-strongly disagree and 5-strongly agree).

Communication and knowledge sharing

1. Most of the information I receive on a daily basis comes from my manager
2. Most of the information I receive on a daily basis comes from my co-workers
3. I feel comfortable sharing ideas with my manager
4. In this organization, the lines of communication are open all the way to top managers/executives
5. In this organization, important information is a scarce resource
6. In most situations, I receive the information I need to effectively perform my job
7. My co-workers and I share important information that is crucial to our success
8. Most of the meetings I attend are useful for obtaining the information I need to do my job
9. The organization encourages the sharing of information between co-workers and departments

On a scale of 1 to 5, please answer the following questions regarding (1-strongly disagree and 5-strongly agree).

<u>Organizational innovation</u>

1. Our leadership supports innovative culture that encourages different departments working cross-functionally to identify and develop new innovations and solutions
2. Our customers are directly involved in the innovation process as a strategy for identifying both articulated and unarticulated needs
3. My organization has adequate staffing, funding, leadership, and cross-functional management support to identify and implement new ideas
4. My organization has dedicated resources and formalized processes focused on identifying and developing incremental and breakthrough innovations
5. We often have brainstorming or other creative workshops