

## THE VALUE OF CREATIVITY AND INNOVATION IN ENTREPRENEURSHIP. ROMANIAN ECONOMIC ENTITIES CASE STUDY

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**Abstract:** *The purpose of this article is to evaluate the importance of creativity and innovation for the entrepreneurial environment given the current economic challenges. In the context of a globalized economy is common that every entrepreneur to face harsh competitive business, being difficult to survive and also to succeed. Given the evolution seen over the past century, where industry leaders have learned to master the production process, the new challenges arise from managing innovation and creativity by offering new and customized solutions. Although innovation and creativity are significant factors of growth and prosperity, their role is not necessarily well understood by the new entrepreneurs. Thus, the paper aims to have a contribution in better understanding the innovation and creativity and identifying the characteristics needed by the new entrepreneurs to succeed, being based on an empirical case study that may also be a ground for future studies.*

**Key-words:** *Entrepreneurship, Creative management, Innovation, SME.*

**JEL Classification:** *G32, O10.*

### 1. Introduction

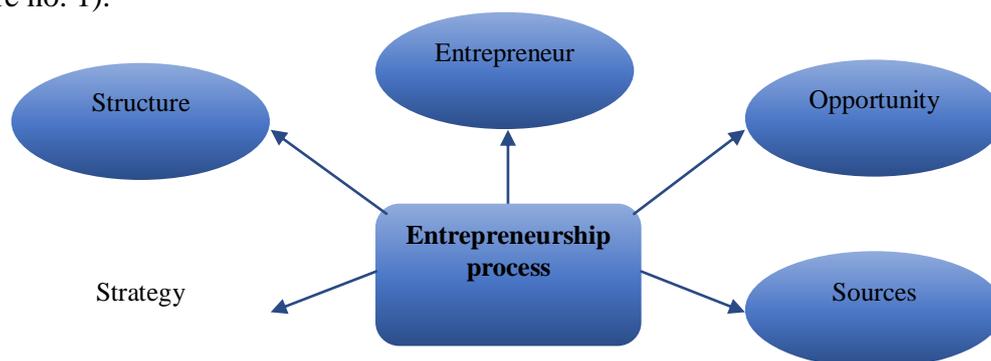
Creativity and innovation are often jointly addressed to describe product-oriented innovation that allows a company to hold a star product, but is much less when it comes to studying successful combinations of multitudes of ideas that lead to entrepreneurial success, more based on diffuse innovation than on the one best idea. However, this creative approach, the purpose of which is not necessarily a technological innovation, may be difficult to imitate and thus constitute a protection of competitive advantage, even though industrial patent protection is not implemented as is often the case in small enterprises. Finding solutions or creating something new, undoubtedly, as described by Maslow (1943) through the hierarchy of needs, to self-realization, is the fulfillment of the self-entrepreneur.

Innovation is often approached in its aspect result whereas creativity seems rather to represent the origin, the cause. Some authors focus on the upstream of the process, through what encourages innovation, and are interested in the ability to innovate (Parmentier and Szostak, 2015). Creativity is then presented as a dynamic capacity that stimulates innovative activity and leads the organization to adopt risky behaviors and changes in its practices. Despite this, it is the theme of innovation that has been the subject of a significant number of academic studies since the last decades.

The notion of entrepreneurship, an equivocal and polysemic object, must be carefully addressed in a triple concern: definition, clarification and apprehension. Entrepreneurship is a heterogeneous phenomenon whose manifestations are manifold. Moreover, there is no consensus on a theory of entrepreneurship even less on an unambiguous definition.

A few questions arise subject to the phenomenon and needs clarifying, not resuming on how it emerged and what are its historical origins. Any assumption is limited without referring to the different theories and approaches that attempt to define each one from its premises and without putting the point in the current analysis that we are undertaking. It may be useless to dwell on the delimitation of its field and its meaning in

order to delimit our field of research. Entrepreneurship is a process that consists of several elements, one of the most important components being presented in the graph below (Figure no. 1).



**Figure no. 1. Components of entrepreneurship process**

Entrepreneurship may be perceived as having a dual stake: the process by which new ideas are turned into new start-ups and, at the same time, the process by which marketplace information is revealed. Related literature has explored, to some extent, the first process but neglected the second one. In the theory of entrepreneurship and growth developed by Acs et al (2008), entrepreneurs utilize knowledge spillovers from established firms to produce useful innovations.

As established companies produce more “innovation” than they use, some ideas are pursued but others are neglect. In their model, entrepreneurs pursue neglected ideas and thereby produce “additional” growth. This result arises because different type of entities assign different expected values to the pursuit of new ideas, where existing companies see unfruitful endeavors, entrepreneurs see an opportunity for profit.

## 2. Review of literature

Miller (1983), drawing on the work of Mintzberg (1973), proposes to identify archetypes of firms. It's about designating organizational configurations from a given environment. Some key dimensions are studied to better understand how a company adapts to its environment or how it develops strategies to improve its performance (Zahra and Covin, 1995; Lumpkin and Dess, 2001; Wiklund and Shepherd, 2005; Rauch et al., 2009).

The main variables selected are the strategy and its dissemination within the organization, the organization itself, the environment as well as the managerial style of the leader. Miller offers therefore three types of organization: a) the “*simple*” organization - the need for leadership; b) the “*planning*” organization - a strategic vision; c) the “*organic*” organization - the importance of the environment and the structure.

In the continuity of Mintzberg's work, many authors have sought to clarify what the attributes of the entrepreneurial firm would be. According to Miller, three types of variables can explain the success or failure of an organization to adapt or develop: the environment, the organizational structure and the collection of behaviors. Three main dimensions characterize these behaviors: innovation, proactivity and risk taking.

Regarding innovation, it is materialized by the number and the novelty of the products, or services, offered as well as by access to new markets. Other characteristics make it possible to measure this innovation: the level of R & D, the production processes and more generally the change in the manufacturing process. The authors (Miller and Friesen, 1982) identify two types of behavior: some firms value innovation as such without environmental constraints, while others try to innovate only to respond to a threatening environment.

On the other hand, creativity is a field whose study is more recent than innovation and whose content is still unclear. Creativity is both a process and a result of this process that produces ideas. When it is not about products and services for customers, it is described as organizational creativity. Woodman, Sawyer and Griffin (1993) consider organizational creativity as a subset of innovation. For Amabile (1988) creativity is at the origin of innovation through the production of new and useful ideas and can be considered as its antecedent.

Gartner (1988) encourages researchers to go beyond the entrepreneur's study and focus on the business and the entrepreneurial process. Indeed, this approach attributes the success of a company to the strategic actions of the entrepreneur. It draws its sources from the contributions of the theories of organizations and strategy. In this order of ideas, Chandler (1962) highlighted the impact of general policy on the organization and introduced it into its strategic causality analysis model. Similarly, Porter (1980) put the company's strategic responses to its environment at the heart of its model. In this case, it should be noted that there are two types of work: those who seek to identify the best practices of entrepreneurial management and those who try to apprehend the entrepreneurial process.

The debate is not yet settled on a definition of what is the domain of entrepreneurship (Brazeal and Herbert, 1999; Shane and Venkataraman, 2000), therefore it is the responsibility of the researcher to provide a precise definition in relation to a particular problem. The notion of entrepreneurship, an equivocal and polysemic object, must be carefully addressed in a triple concern: definition, clarification and apprehension.

Beyond the various works that propose management practices and describe pragmatic ways to found and carry out a business, some authors focus on identifying the keys to the success of newly created companies. Drucker (1985), in his book, "Innovation and entrepreneurship", presents the characteristics of an entrepreneurial management. Thus, it prescribes the entrepreneur five rules to innovate and four strategies that will allow it to become a leader in its market.

The entrepreneurial process includes all the functions, activities and actions associated with the detection of opportunities, risk-taking, the elaboration of strategies, the creation of a new activity by combining means of production and bringing together scarce resources (Bygrave and Hofer, 1991). At the same time, in order to be interested in the process, it is necessarily to leave previous visions which are narrow and limited because the entrepreneurship is a complex phenomenon which must be approached as a whole in order to be apprehended.

We then see that this vision focuses on understanding the entrepreneurial phenomenon from the analysis of the behavior of the entrepreneur. In addition, it should be emphasized that action-oriented approaches and the entrepreneurial process have contributed significantly to the understanding of entrepreneurship. They also have the merit of emphasizing the relationship and interaction between all the dimensions of the organization and its functioning.

### ***Objective of the Study***

Through this study we propose to deepen the reading of the small business through the filter of creativity that can explain part of the mode of operation. Our research goal is to explain and understand how creativity can be a particular mode of operation for small businesses. This involves identifying the forms of creativity that the entrepreneur generates and gathering information about the creative process. An observation in the field was to question the small business entrepreneur about creativity by following the main activity practiced.

### **3. Research methodology**

The choice of an exploratory approach is justified by the fact that we did not know what the interviews were going to state. The data was obtained through semi directive interviews aiming to create the background for an open discussion that does not limit the data collected and allows a methodical opportunism. The data obtained could be both quantitative and qualitative.

The questioning was carried out at company's premises in order to be able, as far as possible, to reinforce the information extracted from the interview by a careful observation of its environment, given the need to describe the context of the case study in order to facilitate the validity and reliability of the results. On the other hand, we must be aware of the parasitizes due to the interaction with the researcher.

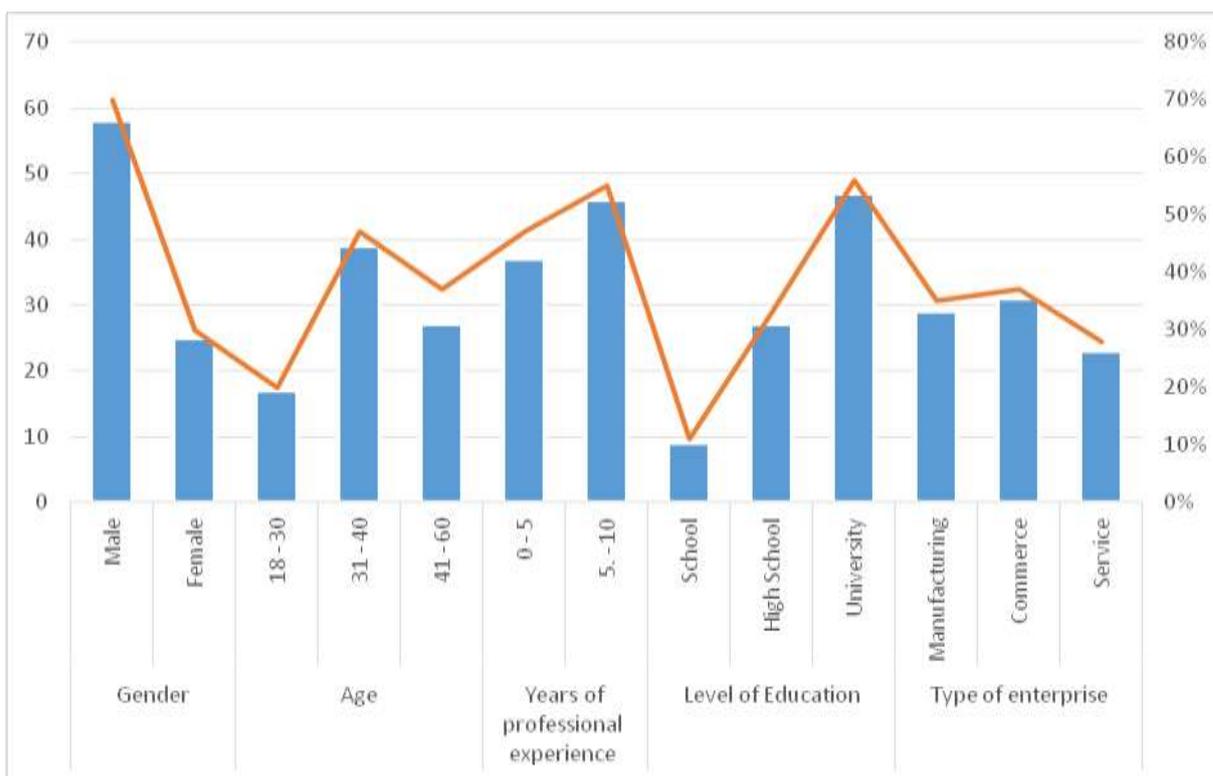
In accordance with our choice to study small business, this field research focuses on small business as defined before, a core target represented by the segment of private non-microenterprise SME firms under 50 employees in all sectors of activity. A segment however porous or we allow ourselves not to set precise limits on the size, as seen before. In the same way, we do not select a particular activity, keeping in mind that very different results could be obtained depending on the business of the company.

Observation involves collecting data from the company's first representative, the entrepreneur, who is the bearer of the entrepreneurial dynamic. The study of creativity is difficult in the sense that it often brings us back to studying the psychology of the entrepreneur while we would like to build an explanation of the entrepreneurial situations encountered.

Our approach is therefore not to focus on the actor of entrepreneurship and the traits that characterize it, but to have a vision of the relationships between individuals and their behavior as an entrepreneur. We address the issues of small businesses through representations of entrepreneurial actors in a research framework based on an experienced real-type approach.

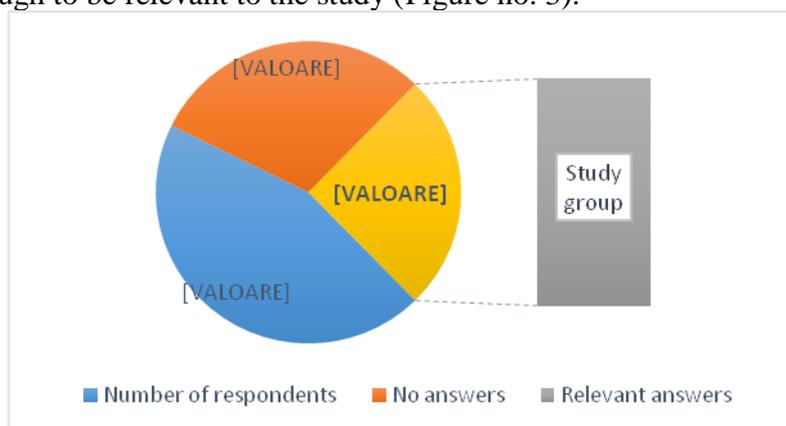
### **4. Results**

The chosen field requires contact with the leader and validation that the company and the target person are in line with our study population. The main difficulties are to obtain the agreement of an observation based on a frank and sincere relation, and to relate correctly what the observation shows us. Confidentiality can be a barrier to accessing data, especially on issues related to competitive advantages or accounting data. A semi directive interview guide was developed in order to control the thread of the discussion (Figure no. 2).



**Figure no. 2. Profile of entrepreneurs selected in the research**

Creativity is described in the literature as a prerequisite for innovation within a process common to all companies involved in a dynamic and effective entrepreneurial approach. The terrain we have studied gives us a rather nuanced picture of the creativity generated within small businesses. From the entire set of companies selected for this research, consisting in a number of 139, 83 provided answers out of which 47 were consistent enough to be relevant to the study (Figure no. 3).



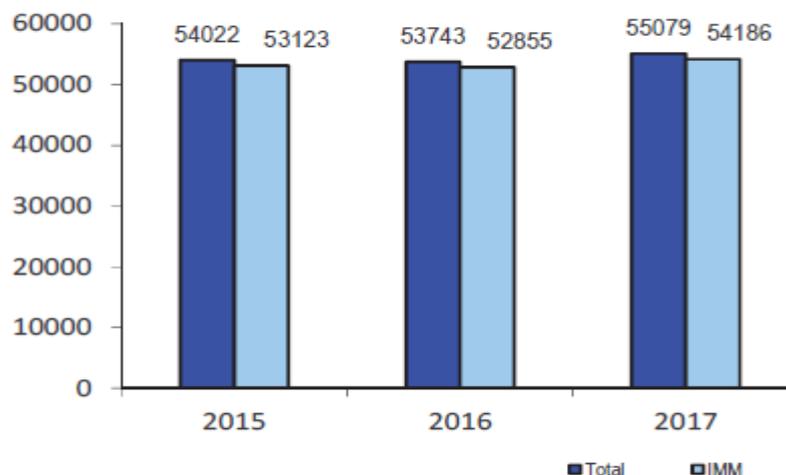
**Figure no. 3. Study group**

We have chosen to focus only on one of the cases studied, given that we may consider it representative for the group, and explains quite well our purpose and also illustrates how creativity is an important element of entrepreneurship, in view of the profile of the target group.

Given the structure of the group and the similarities found among the answers received we have focused our attention on a small company, highly representative to the group, namely one with 23 employees whose main activity is manufacture of protective

footwear. It is fairly representative in terms of size since over 50% of Romanian SMEs in industry have less than 30 employees with an average of 25,3 (INSSE, 2017).

At the end of 2017, in Romania, a number of 54186 small and medium-sized enterprises and 893 large enterprises were operating within industry sector (fig. no 4).



**Figure no. 4. Evolution of the number of active enterprises in the industry, by total and SMEs, in the period 2015-2017**

Source: National Institute of Statistics, 2019. Home. [online] Available at: <<http://www.insse.ro/cms/>> [Accessed 12 July 2019].

The studied company carries out activities in the protective footwear industry since early 2018 when it achieved a turnover of 0.4 million euros. The entrepreneur arrived in this activity thanks to skills acquired in the related field of activity as a manager of a trader company.

The observation was little guided, the entrepreneur approaching himself the aspects that interested us through his action and his speech. The fact of being immersed in the activity and at the same time collecting the information given by the entrepreneur made it possible to corroborate the speech effectively with the situation. Three fairly specific creative situations were identified over the course of the observation.

The first situation is a fairly classic economic arbitration of the use of labor and capital inputs. A choice of man-machine combination is made according to the availability of the moment of the labor force. Some employees do not have all the qualifications, the planning shows a single main site that requires optimizing the use of all resources available, more or less suitable to the necessary capacity and for all this it makes a choice of allocation for each order received. This task may seem quite routine and identifiable in most businesses. It is difficult to characterize it as an innovation, even managerial, and yet the number of possible combinations of the production system of this small company can quickly reveal solutions never used and considered new for the company.

If we consider the following three variables: employees, planning and materials to be combined with a particular context for each client, the number of combinations quickly becomes very important and the activity then moves away from a routine process.

The entrepreneur, who is constantly focused on the overall management of his activity, focuses at that time on the production function. Each of the orders requires the acquisition of the maximum amount of information from the client and leads to an original

productive organization. It is then not possible to singularly speak of innovation but rather of creative implementation of the elements necessary for the realization of the products.

We can then speak of activity creativity, a form of organizational creativity that is not necessarily based on an intentional process of innovation and which would fall within the theoretical scope of problem-solving methods.

The second situation observed in this company shows the use of a new technology in the manufacturing process: a new type of material that enhances the amortization quality. This one, although planned for other types of applications, allows an improvement of the production through classic criteria of decrease of the costs and maintenance of a quality beyond the required specifications.

The production plant was first tested in order to see if it met the demand of its customers and brought a real advantage, especially in terms of competitiveness. The new process, resulting from a benchmarking approach, modifies the manufacturing process without constituting a real innovation for the market.

The third situation occurred during the course of the activity. It can be described as an urgent problem to be solved during a new product line implementation. The urgency introduced the concept of time because the entire production chain was immobilized resulting in fixed costs of non-use of fixed assets and employees. A solution was found by updating some settings of a new equipment that was not properly put into operation and by adding a new technical solution that enhances the end product quality.

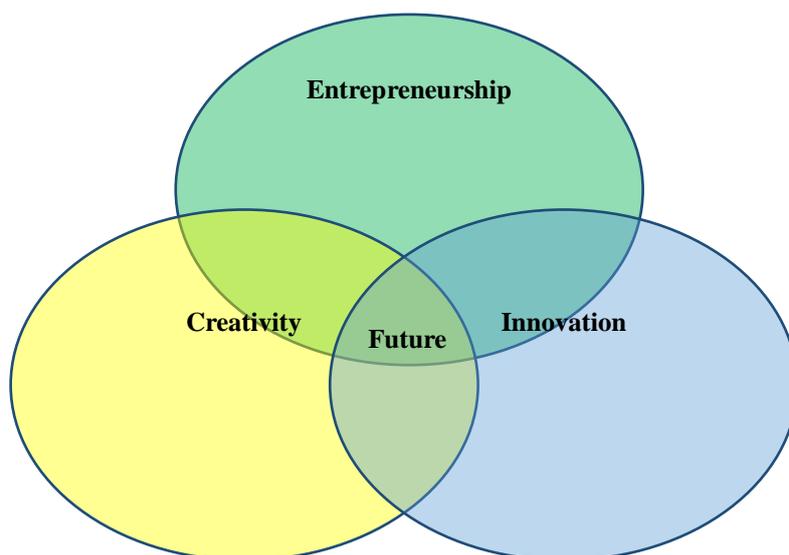
Careful observation, however, brings out a very different aspect. If the creativity generated in this case can be considered useful because the problem has been solved, it can also be described as absurd in the sense that the equipment was not working from the beginning as intended by the manufacturer.

Creativity can take an unexpected form in the sense that it may be useless or irrelevant in cases where a setting provided for a process is not working properly. Given the many possible combinations and the difficulty for an entrepreneur to understand all the possible scenarios, it is likely that this type of situation will happen again.

These three particular situations make us see creativity in singular forms that are not necessarily in line with the usual description of a creativity-innovation process. Through this analytical observation we can consider that this company is home to an effective approach to entrepreneurial creativity while it has no project called research and development, nor patent application in progress.

## **5. Discussions**

Is difficult to mark the company observed with the seal of innovation because it does not meet the criteria of an innovative company. Yet we see that the entrepreneur brings new elements through his creativity, and this recurrently. His activity is impacted by the creative process. However, the creativity created is an entrepreneurial path far removed from what is found in the literature (Figure no. 5).



**Figure no. 5. The connection between creativity, entrepreneurship and innovation**

We can propose to disconnect the notion of creativity from that of innovation: the small business entrepreneur sees his creativity positioned at the heart of his job without it being with a systematic intention to implement an innovation process. This creativity linked to the activity can accompany and facilitate the production process and can help to solve problem. Creativity can lead to innovation in all its forms, but it does not necessarily lead to the expected results of traditional innovation processes.

Entrepreneurial creativity is not innovation. On the other hand, it can be a prerequisite for the reflection of each entrepreneur who must be able to evaluate, sort, select what will remain an element of creativity without follow-up or could become a strategic axis for the company and engage it in a traditional process innovation.

Entrepreneurial creativity shows at least two facets: the one that shapes the activity, modifies it without leading to an intentional process of innovation, and that which is, or will become, a prerequisite for an innovation approach. The first, the creativity of activity, can come from the difficulty to implement the activity, when it is difficult, or impossible, to apply or set up formalized processes, which leads the entrepreneur to generate ideas for solving problems.

This difficulty in applying established routines is rooted in the variability of the problems encountered, insufficient training and / or qualification of staff, time management and the urgency of the tasks to be performed, minimal supervision and also impression of increased estimated profitability for the entrepreneur as a perceived personal performance.

Whatever the form of creativity, it is a creative approach unique to small business entrepreneurs because they evaluate their operation only by their own conception of a situation. If the business grows, the delegation and sharing of the decision can change that, and lead to more formalization and a different creative approach, but it takes us little by little away from the small business setting. The fact that the activity is carried out with few collaborators, not necessarily decision-makers, obliges the entrepreneur to introduce organizational processes.

The evolution of information systems facilitates access to information for the entrepreneur who sees his difficulties reduced to make his choices. The outsourcing of memory, for example, makes information more available in any particular entrepreneurial situation that arises, when and where it appears. A different way of working may appear

between those who know how to exploit the new technologies of information and communication and those who, for various reasons, have been sidelined.

By continuing our reflection, however, we can question the respect of the formalized processes in place that makes the production system very efficient, but which can also become constraining for the entrepreneur's creative approach.

## 6. Conclusions

This article aims to open a little more the black box of creativity and innovation and to provide explanatory elements as to its place within entrepreneurship. The confrontation of macro data on small business with more detailed observations of the field observation offers us a wide-angle study with a zoom on the entrepreneurial creativity.

Considering creativity to explain entrepreneurship seems very relevant and allows us to propose the disassembly of concepts of creativity and innovation, creativity not necessarily leading to innovation. The forms of creativity that may appear encourage us to reflect on the problem of ambidexterity in small businesses.

Exploration and exploitation are essential for assuring present and future competitiveness. The small business entrepreneur must again be very creative to bring it all together. Beyond the debate on the importance of creativity we also show the methodological difficulty that arises when we want to collect and exploit evidence on the subject of creativity, entrepreneurial situations being diverse and varied.

Finally, for this article, we used a single business case to complete our theoretical approach and answer our questions. It will be interesting to pursue this study with a larger number of companies in order to build a more theoretical representation of the existing forms of creativity within new companies and also to compare the results according to identified discriminating factors.

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