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ABDELGADIR, Jamal Hussain A.

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INSIGHTS INTO ORGANISATIONAL  
CAPABILITIES THAT INFLUENCE  
INNOVATION AND  
ORGANISATIONAL  
COMPETITIVENESS IN SMEs  
(Small and Medium Enterprises)

Jamal Hussain A Abdelgadir

A thesis submitted in partial fulfilment of the requirements of  
Sheffield Hallam University for the degree of Doctor of  
Philosophy

July 2013

## Dedication

*I dedicate this piece of work especially to my dad, my mum, my wife, my brothers,  
my sisters and to all the people of Arab Libyan Jamahiriya*

## **Abstract**

This thesis seeks to develop insights into the nature of organisational capabilities that influence organisational competitiveness and innovation amongst a selection of SMEs. An interpretivist approach was followed to understand the phenomena from the participants point perspective. Participants in the study were the key players in the selected organisations, and had the experience and knowledge base to help the author develop deep insights into the research subject. The emerging analysis shaped the theory which the study set out to generate. This thesis generates an understanding and insights into the role of leadership, organisational structure and culture and a company's relationships with stakeholders in making an SME company innovative and competitively sustainable.

The influence of the role of leadership, the influence of organisational culture on performance and their relationships and collaborations within companies and with others towards competitiveness and innovation is explored in this study. However, the author felt that whilst previous research were interesting, they did not fully explain the nature of innovation and its relationship to the ability of a company to achieve a sustainable competitive advantage. It is for this reason the author wished to put extant literature to one side and take a fresh look at innovation from the perspective of companies that had a successful innovative culture and had achieved sustainable growth through a strong track record of innovation.

This research treats the innovation phenomena holistically and draws on the stories and views of company managers to develop insights into the true nature of a strong innovative culture and its relationships with sustainable competitive advantage from the perspective of the managers building the strategy and the culture of the company. The findings of this research are explained in the formulated theory which highlights the importance of creating innovative leadership, innovative structure and culture and innovative relationships and collaboration capabilities. These elements are linked by an open organisational mindset, effective internal and external relationships and proactive and supportive knowledge systems and resourcing to create a culture of innovation.

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Jamal Abdelgadir

July, 2013

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# Chapter 1: An Introduction to the Thesis

## 1.0. Introduction

This thesis seeks to develop insights into the nature of small and medium sized enterprises (SMEs) that have the capability to sustain organisational competitiveness and innovation. It focuses on the nature of organisational capabilities in sustaining organisational competitiveness and innovation.

In the following chapters the author explores how the studied SMEs have built a sustainable competitive advantage and developed the ability to maintain this in today's complex and challenging marketplace. Christensen (2010, p21) defines competitive advantage as, "whatever value a business provides that motivates its customers (or end users) to purchase its products or services rather than those of its competitors and that poses impediments to imitation by actual or potential direct competitors".

Companies should exploit their organisational capabilities to gain the competitive advantage needed. Maritan (2001) cited in Nasution and Mavondo (2008), defines organisational capabilities as an organisation's capacity to deploy its assets, tangible or intangible to perform a task or activity to improve performance. Nasution and Mavondo (2008, p480), define organisational capabilities as, "the organisational capacity and processes to deploy its resources to improve organisational performance by creating superior customer value." The author defines organisational capabilities as "an organisation's ability to exploit and organise its tangible and intangible assets to influence organisational competitiveness and achieve competitive advantage".

Compared to large companies, SMEs have limited power to influence, for example their influence on international markets (Grimes et al. 2007). Moreover, they face continuing and severe competition (Pillania, 2009) particularly with regard to the intensive pressure with the current financial crisis (Andrew et al., 2009, Jaruzelski and Dehoff, 2009) cited in (Ribiere and Tuggle, 2010) competition from emerging economies (Pillania, 2009) and the fast development of technology (Carneiro, 2000).

Companies face an obvious challenge to be competitive but the question is how they achieve the necessary competitive advantage and make it sustainable. A sustainable competitive advantage is a key to creating long term value and it determines how long the company can maintain its advantage in the face of stiff competition (Reimann, 1993). Beheshti (2004, p382) believes that, "In the current global business environment, companies must be competitive in order to survive. The company must analyse the nature of its particular industry and environment. Once the company understands where it needs to position itself within its industry, the company can determine which competitive advantage it must achieve and maintain in order to succeed. Once the company decides on the competitive advantage that will provide the best position within the industry, the company must develop a method for gaining that advantage". Hollensen (2003, p29) argues that, "understanding competitive advantage is an ongoing challenge for decision makers. Historically, competitive advantage was thought of as a matter of position, where companies occupied a competitive space and built and defended market share. Competitive advantage depended on where the business was located, and where it chose to provide services. Stable environments allowed this strategy to be successful, particularly for large and dominant organisations in mature industries."

However, Kotler (2011) argues that consumers today carry new concerns, doubts, and fears. Will they keep their jobs? Can they save enough for retirement? Will the road traffic get much worse? Will the air get more polluted? Will products be made in ways that are environmentally clean? The changing environment makes it more challenging for companies. Consumers experience products and services via their senses and understanding of sensory experiences is fast becoming a neurophysiological science. As Achrol and Kotler (2012, p 50) believe that, "the growing impact of digitization and virtual media considerably expand the scope and impact of sensory satisfactions". The concept of competitive advantage was raised owing to macro environmental factors influencing the businesses which are pointed out by Tidd et al. (2005), who also suggest that the environment is constantly changing; shifts in the socio-economic field (in what people believe, expect, want and earn); legislations and environmental concerns are all factors that influence organisational capability in developing new product/services or effecting the

existing market position. This thesis explores how selected SMEs compete in their markets. The journey started by exploring, reading and investigating the literature regarding organisational capabilities that influence organisational innovation as well as SMEs' policies in terms of sustaining organisational competitiveness and innovation. The following section states the aims and objectives of the thesis.

### **1.1. Research Aims/Objectives**

The focus of this study is to explore and develop insights into what organisational capabilities enhance competitiveness and innovation in organisations. The aims are as follows:

- ⊙ To identify and develop an understanding of the organisational capabilities needed by companies to effectively compete in their markets.
- ⊙ To develop an understanding for assessing companies strengths in the organisational capabilities necessary for competitiveness and innovation.
- ⊙ To develop insights into the learning and managerial capabilities necessary to create a culture of competitiveness and innovation in organisations.

Specifically the research will:

- ⊙ Investigate the relationship between organisational leadership, culture and competitiveness.
- ⊙ Identify organisational capabilities that influence organisational competitiveness and innovation.
- ⊙ Investigate the drivers that influence the development of organisational competitiveness.

The next section describes the background of the study and how the author reached the decision to explore the phenomena. It also explains the research context which further justifies the choice to study the development of organisational competitiveness and innovation.



## **1.2. The Research Context**

This thesis refers to small and medium sized enterprises (SMEs) in the South Yorkshire region. The Department for Business Innovation and Skills report (BIS, 2010) reveals the importance and contribution SMEs make in the UK economy is valuable. Manufacturing SMEs were selected from the region to explore how they enhance their competitiveness and innovation.

### **1.2.1. Why SMEs and Why Yorkshire?**

BIS (2010) defines a small company as a company that employs between 0 to 49 employees, a medium company employs between 50 to 249 employees, and a large company employs 250 or more employees (BIS, SME Statistic for the UK and Regions, 2010). This definition was used in the selection of SMEs companies across the region of South Yorkshire. In other words, the size of the studied companies was one of the main criteria in the selection. It states that at the start of 2009, 4.8 million UK private sector enterprises employed an estimated 22.8 million people, and had an estimated combined annual turnover of £3,200 billion. BIS (2010) also states that SMEs accounted for 99.9% of all enterprises and the turnover in SMEs was estimated as £1,589 billion, £88 billion (5.8%) higher than in 2008. Almost all (99.3% of the total) of these enterprises were small in size. Only 27,000 (0.6%) were medium size and 6,000 (0.1%) were large companies having 250 or more employees. Therefore, according to BIS (2010) the contribution of SMEs in the UK is significant hence exploring how they build their capabilities to compete is worthwhile.

South Yorkshire was selected as the location due to the proximity of the author and therefore to minimise time and financial issues. Moreover, the Yorkshire and Humber region of the UK has a long history of heavy industry, including steel making, metal working and heavy engineering however it experienced severe economic decline in the 1980s and 1990s (Grimes et al., 2007).

### **1.2.2. Environment as a Factor Affecting Organisational Competitiveness**

According to Afuah (2009) companies and industries do not function in a vacuum; they are influenced by their macro-environments, such as the technological, political-legal, demographic, socio-cultural, economic and natural environments. Narayanan (2001) also mentions that during the 1970s and

1980s most of the management literature and practice concentrated on the industrial environment of the companies, its comparative competitive positioning and in ways to please customers.

Collins (2007, p14) confirms that, "organisations are under pressure to innovate, the pressure can stem from slowing growth, or from increased competition due to globalisation and improved communication. Some organisations have realised that they need to change their offerings radically in order to survive, and need to find innovative ways to do so." Drucker (1999, p61) argues that, "all institutions have to make global competitiveness a strategic goal. No institution, whether a business, a university or a hospital, can hope to survive, let alone to succeed, unless it measures up to the standards set by the leaders in its field, anyplace in the world."

Globalisation is seen as one of the determinants of this stiff competition as Booz Allen Hamilton (2002) cited in Pavic et al. (2007) notes that the globalisation, the knowledge and information revolution, and structural change in organisations are the three powerful influences which dominate the economic environment in which businesses find themselves today and is perhaps the most turbulent period in history. Thus, companies need to be prepared to face any change that might happen in the future. Wong and Chin (2007, p1290) state that, "Globalisation intensifies competition all over the world". The arguments and debates about the increase in globalisation and competition have therefore raised questions about how and what companies can do to overcome the challenges that are coming from all directions which demand the individuals, companies and industries to sustain their competitive positions and survive in the global market. Hamel and Prahalad (1996) state that tomorrow's growth depends on today's competences construction. Investment in new core competences offers the seeds for tomorrow's product return.

Doole et al. (1996) cited in Grime et al. (2007) conclude from a study done in the Yorkshire and Humber region that many companies regarded exporting as an add-on activity and so withdraw from international markets when orders in the home market improved, or conditions in the international markets became critical. Slywotzky and Hoban (2007) argue that global pressures can devastate the profitability of industries thus we need to return to a more balanced view of

competition and a greater appreciation of the role of collaboration in engendering and sustaining healthy economies. De Sousa (2006, p404) considers in his conceptual paper as, "advantage is defined in terms of the increased ability of the company to win from its competitors and to collaborate with its stakeholders". In this context, customers, employees, owners, suppliers, competitors, governments and the community are all seen as the stakeholders.

It is therefore imperative for companies to consider these issues and constantly think of ways to overcome the challenges in order to sustain and retain their business. Companies need an effective way to gain sustainability so they need to find an advantage that puts strict legal constraints on imitators (Reimann, 1993). Drucker (1999) argues that to become leaders and to dominate tomorrow you have to work on today's challenges and prepare yourself and institution for the challenges of the future. Doyle (1998) confirms that for the sake of offering the best value to customers, it would affect the selection decision of suppliers. Therefore, companies must not only regularly observe the level of their customer's satisfaction, but they must also compare this with competitors and find innovative ways to win customers over. However, how does a business approach new customers and persuade them to buy its products/services, abandoning competitors' offerings? Is it by providing innovative product/services, creating a new business model or something else? Thus, managing organisational competitiveness would be a challenge for companies wanting to achieve customer satisfaction.

From the late 1990s to date, the dominant themes in the field of strategic management have been strategic innovation, globalisation, and the impact of information and communications technologies on value-adding activities (Afuah, 2009). Afuah (2009) further argues that the primary issue faced by companies is how to gain a competitive advantage through strategic innovation using new game strategies and how to compete in a world with technological changes and ongoing increasing globalisation. The potential for investigating innovation as a mean for competitive advantage is also explained by Dervitsiotis (2010). He argues that innovation as the key driver of competitiveness is receiving an increasing attention from most companies competing in the global economy. Innovation management emerges as a powerful way to facilitate a company's

adaptation to new conditions, especially after the start of 2008-2009 economic crises. Moreover, Tidd and Bessant (2009) argue that organisations in general drive their successes from innovation. They further add that innovation is not only a matter of significance at the level of individual enterprise but it is also increasingly considered as a healthy mechanism for national economic growth. Economies like Australia and the UK consider innovation as a point of focus in crafting national economic policies. Thus, the significance of the subject of innovation in benefiting regional and national levels is worth studying. Furthermore, it is worthwhile investigating the factors that affect organisational competitiveness and innovation.

Johne (1999) states that top management must spend at least as much time thinking about innovatively satisfying customers' needs as they think about internal operations so as to attain and sustain competitive success in today's turbulent marketplace. Dervitsiotis (2010) affirms that innovation excellence requires a high level of innovation capability to create a sustained stream of successful innovations as well as a new stream of cash revenues associated with the significant tangible and intangible benefits offered to stakeholders, i.e. its customers, employees, owners, suppliers and the community. Dervitsiotis (2010) justifies his argument and restates that a specific innovation is regarded as successful only if it can generate revenue from the market. Tidd et al. (2005) confirm the significance of innovation in gaining competitive position and emphasise that whatever the dominant technological, social or market conditions are, the key to building and sustaining competitive advantage is likely to lie with those organisations which continually innovate. According to Statistic Canada (2006) cited in Tidd and Bessant (2009, p5), the following factors differentiate successful SMEs enterprises as:

- ⊙ Innovation is consistently found to be the most important characteristic associated with success.
- ⊙ Innovative enterprises typically achieve stronger growth or are more successful than those that do not innovate.
- ⊙ Enterprises that gain market share and increasing profitability are those that are innovative.

Johne (1999) argues that to safeguard businesses' future in times of fast changing markets and technology, they must innovate. A strategic innovation is a game-changing innovation in products/services, business models, business processes, and/or positioning in order to improve performance (Afuah, 2009). Tidd et al. (2005) assert that innovators take advantage by the ability to see connections and to spot opportunities. However innovation is not just opening up new markets; it can also offer new ways of serving established and mature ones. It is important to understand that some players in the market imitate innovations which other companies bring about and the advantage which flow from these innovations gradually declines and become ultimately lost. Thus, unless an organisation is able to continually innovate, it risks being left behind as others take the lead in changing their offerings, their operational processes or the underlying models that drive their business (Tidd and Bessant, 2009).

Dervitsiotis (2010) asserts that survival into today's global market is highly demanding as it is not only about entry through ISO certification (International Organisation for Standardisation) but it is more about customer satisfaction which comes with innovation. The focus therefore shifts from quality to innovation as it is a preferred means of creating additional value for customers, in order to provide a new cutting edge for differentiation to improve competitiveness.

Tidd and Bessant (2009) consider that innovation and competitive success are not simply about having highly-technological companies. However, technological innovation is the dominant innovation in today's market where almost every product that people use is the result of efficient technology. Therefore, innovation has created opportunities for some and threats for others (Afuah, 2009). Companies face the challenge of creating new products, services or markets that can change the rules of the game and help avoid failure. Nagji and Tuff (2012) concur that companies normally struggle the most with transformational innovation. A study by the Corporate Strategy Board cited in (Nagji and Tuff, 2012, p71) shows that, "mature companies attempting to enter new businesses fail as often as 99% of the time. This reflects the hard truth that to achieve transformation - to do different things - an organisation usually has to do things differently".

Volberda et al. (2011) confirmed that reduction of the likelihood of failure for companies as they encounter the conditions of today's competitive landscape relies on effective use of the strategic management process. Baregheh et al. (2012) argue that organisational success, performance and survival are increasingly reliant on the important contribution of innovation. Trott (2012) affirmed that the management of innovation process involves trying to foster new ideas and generate creativity; it involves trying to develop the creative potential of the organisation. Bateson and Martin (2013) argue that although creativity and innovation are often used interchangeably in the context of business, they distinguished and framed creativity in terms of the generation of novel ideas, whereas innovation is the successful implementation of those ideas and their acceptance by others.

Baregheh et al. (2009) cited in Baregheh et al. (2012, p301) defined innovation as "the multistage process whereby organisations transform ideas into new/improved products/services or processes, in order to advance, compete and differentiate themselves successfully in their marketplace". Grant (2010) contends that for managers to prevent industry conventions from imprisoning their companies into conventional thinking about strategy the key is strategic innovation. Roper (1997) and Freel (2005) both cited in Demirbas (2011) confirmed that there is a positive relationship between levels of innovative capacity and growth in SMEs operating in the UK and in Ireland. Wang and Carayannis (2012) confirmed that innovation output is measured by whether a company has successfully developed a new product line or has updated an existing one. Baregheh et al. (2012, p303) state that, "innovativeness and innovation orientation are often measured in the context of studies on their relationship to other strategic organisational characteristics such as competitiveness, learning orientation and business performance.

Trott (2012, p92) argues that, "yet, attempting to measure the process of innovation is a major challenge because for practitioners and academics it is characterised by diversity of approaches and practices. Nevertheless, for those of us attempting to understand better how innovation management can be improved, we need to know ingredients and possibly recipes that at least give us some indication of what is required and if and when we are to turn ideas into marketable products". Dervitsiotis (2010) refers to the process of innovation as

poorly understood phenomena by many managers. With the increasing trend towards organisational innovation and competitiveness in order to survive in the global competitive market and the significance literature already highlighted, it encouraged the author to investigate the subject area. The desire was to take a closer look by concentrating on leadership, organisational culture, collaboration and relationships in organisations as these act as tools in getting new ideas and finding opportunities. These topics are thoroughly discussed in Chapter 2.

The argument raises the question of how do SMEs compete and innovate in this complex marketplace. Nagji and Tuff (2012) state that many chief executives admit to being unsure and frustrated where they struggle to convince others that their managerial actions can be relied on to yield a stream of successful new offerings. Nagji and Tuff (2012, p68) further argue that, "it is typical of companies that have not learned to manage innovation strategically". Thus, the question explored in this study is "Is this the case or is there a different story?"

As discussed previously, it is imperative for companies to sustain their competitive advantage. An exploratory, holistic approach was used in this inductive study to try to qualitatively interpret the phenomena and to reach fresh understanding of the subject of organisational innovation based on the participants' experience as companies have to exploit the organisational capabilities to achieve the competitive advantage to stay in business. Furthermore, customers' expectations are changeable and challenging to understand, therefore companies should look for new innovative ways to satisfy them and keep their loyalty. The association between competitive advantage and organisational competitiveness is apparent. However, the key to gain the competitive advantage in today's complex and challenging marketplace is innovation. In other words, companies have to consider their innovative capabilities as a solution to enhance their organisational competitiveness to achieve the competitive advantage.

The following section summarises the academic journey of this thesis to meet the research objectives. This includes the areas that have been explored, the research methodology, the results that have emerged and the potential contribution to knowledge.

### **1.3. The Thesis Journey**

This section has two aims: firstly, to explain the personal motivation of the researcher for carrying out the study and secondly, to highlight the academic motivation for the research and potential contribution to knowledge.

The author gained a first degree in Administrative Management from his home country Libya in North Africa, followed by a Masters in International Marketing from Sheffield Hallam University in the UK. He was encouraged to look more closely at the field of business especially after opening his first small business in his home country. The requirement for businesses to stay in an industry and survive was the broad area that the author looked at and decided to find out more about. Specifically, what companies do to sustain their organisational competitiveness and innovation. An exploration of the literature in this area further highlighted the potential opportunities for investigation. Due to the need for companies to build their competitive advantage and also the complexity of the marketplace, the author decided to take a closer look at the area of organisational competitiveness and innovativeness as a key in survival. Moreover, the relationship between organisational innovation and the ability of a company to build a sustainable competitive advantage, led to investigating the literature on organisational capabilities that influenced organisational performance in terms of competitiveness and innovation.

Previous research suggested that leadership management, organisational culture, and being open to the external world, underpinned successful innovation. The achievement of these concepts, it was assumed, play key parts in creating a strong innovation culture and the successful performance of a company. Thus the literature of competitiveness focussed on identifying the key variables that had a direct causal relationship with a strong innovation culture without a clear explanation of how companies should compete and innovate.

In order to understand the insights and nature of organisational capabilities that influence organisational competitiveness and innovation amongst a selection of SMEs, an interpretivist approach was followed to understand the phenomena from the participant's perspective. Participants in the study were the key players



in the selected organisations and had the experience and knowledge base to help the author develop deep insights into the research subject. The emerging analysis shaped the theory which the study set out to generate. This thesis generates an understanding and insights into the role of leadership, organisational structure and culture and a company's relationships with stakeholders in making an SME company innovative and competitively sustainable.

The influence of the role of leadership, the influence of organisational culture on performance and their relationships and collaborations within companies and with others towards competitiveness and innovation is explored in this study. However, the author felt that whilst previous research were interesting, they did not fully explain the nature of innovation and its relationship to the ability of a company to achieve a sustainable competitive advantage. It is for this reason the author wished to put extant literature to one side and take a fresh look at innovation from the perspective of companies that had a successful innovative culture and had achieved sustainable growth through a strong track record of innovation.

This research treats the innovation phenomena holistically and draws on the stories and views of company managers to develop insights into the true nature of a strong innovative culture and its relationships with sustainable competitive advantage from the perspective of the managers building the strategy and the culture of the company. The role of managers in a company, the organisational structure of a company, the organisational culture, and the type of relationships the companies had with its wider stakeholders were all seen as themes through which to seek an explanation as to why some companies are more able to create a strong innovative environment ultimately leading to a competitive advantage. The Longman dictionary (2003) defines "theme" as the main subject or idea in a piece of writing, speech, film etc.

The contribution to knowledge of this thesis is that the subject area has been explored much more holistically, and the contribution to the literature is built around the achievement of the research aims/objectives as well as the theory

generated to enhance organisational competitiveness and innovation. In this context the true nature of innovation can be better explained and its relationship with a sustainable competitive advantage more easily understood. Moreover, this study tries to achieve the aims by exploring the relationship between organisational leadership, culture and competitiveness, identifying organisational capabilities that influence organisational competitiveness and innovation and also investigate the drivers that influence the development of organisational competitiveness and innovation.

The next section describes the structure of the thesis to allow the reader to understand how the different concepts are placed and linked to each other in this study.

#### **1.4. Structure of the Thesis**

This section outlines the structure of the thesis including a summary of all the chapters. It provides guidance to the reader to understand the direction of the study and know the sequence and placement of various concepts.

##### **1.4.1. Chapter One: The Introduction**

The author provides the reader with an introduction to the research focus, the objectives/aims and the context of the study as well as the author's personal and academic motivation to carry it out. This chapter summarises the potential contribution to knowledge of this research as well as the processes that were undertaken through the implementation of this research.

##### **1.4.2. Chapter Two: Literature Review**

In this chapter, literature on organisational competitiveness and innovation is explored to generate insights into organisational capabilities that influence organisational competitiveness and innovation. The nature of innovation and definitions thereof are investigated to give the reader an overview of the subject and the way it is represented. The explanation of the nature of innovation is supported with the presentation of the evolution in understanding of innovation over time.

The influence of leadership and top management on organisational competitiveness and innovation is investigated. The factors involved in leadership and the level of leadership in organisations are explored. Leadership

theories are explored using Daft's (2008) framework starting with Great Man theories and traits theories to behaviour theories, contingency theories, and the third era of influence theories and the fourth era of relational theories and level 5 leadership. In addition, organisational culture and its role are investigated, as well as the importance of relationships and collaborations. The review of the literature in total allows for the identification of any gaps. That is gaining an understanding of the phenomena through exploring the themes individually could potentially bring more ambiguity to the subject of how companies compete and innovate. Therefore, the attempt in this thesis is to study the subject holistically, which led to a richer understanding of organisational competitiveness and innovation which supports the selection of the inductive approach used in this study.

#### **1.4.3. Chapter Three: Research Methodology**

This chapter examines the research philosophy of the study followed by a discussion on research methodology to determine the most appropriate approach to achieve the objectives of the study. An explanation is provided of the analytical process leading to the generation of theory to obtain a deeper understanding of organisational capabilities with regard to organisational competitiveness and innovation. It shows that the choice of methods dictated how the investigation was carried out; how data analysis was conducted to select sample companies; how the research themes were identified and the data analysis journey.

#### **1.4.4. Chapter Four: Introduction to the Seven Companies Understudy**

In this chapter the seven selected SMEs with a range of between 5-250 employees are introduced. All of them are manufacturing, serving different types of industries and located in South Yorkshire. Anonymity was agreed with the companies hence their actual names do not appear in the thesis. The companies vary in terms of experience and perception; this differentiation brought advantages which enabled a richer understanding of organisational competitiveness and innovation.

#### **1.4.5. Chapter Five: The Role and Contribution of Leadership.**

This chapter explores the role of leaders and top management in making a company competitive and innovative. It also explores their contribution in

encouraging and discouraging others to achieve organisational competitiveness and innovativeness.

#### **1.4.6. Chapter Six: Organisational Structure and Culture**

This chapter explores the role of organisational structure and culture on organisational competitiveness and innovation. It describes the organisational cultures adopted in the SMEs in order to sustain their businesses. It identifies different organisational structures and also some interesting ownership structures within the studied companies.

#### **1.4.7. Chapter Seven: Organisational Relationships and Collaboration**

This chapter seeks to explain how companies form relationships as well as how they can benefit from those relationships and collaborations. Therefore, the section studies the organisational relationships and collaborations and their influence to the culture and the organisational competitiveness and innovativeness.

#### **1.4.8. Chapter Eight: Conclusion and Recommendation**

This chapter highlights the main findings of this study as well as explaining the theory development which is based on the participants' views. It explains the contribution to knowledge, the main findings and the research limitations.

### **1.5. Summary & Conclusion**

The purpose of this chapter was to introduce the subject of study and the aims/objectives that this thesis seeks to achieve. The parameters that construct the phenomena of organisational competitiveness and innovation are holistically explored. The contribution to knowledge was explained to show how companies compete and innovate in a holistic way in today's complex marketplace. The generation of the theory is based on the information gathered from the analysis. This is explained in more details in the analysis section of the research methodology chapter.

The next chapter explores the literature regarding organisational competitiveness and innovation.

## Chapter 2: Literature Review

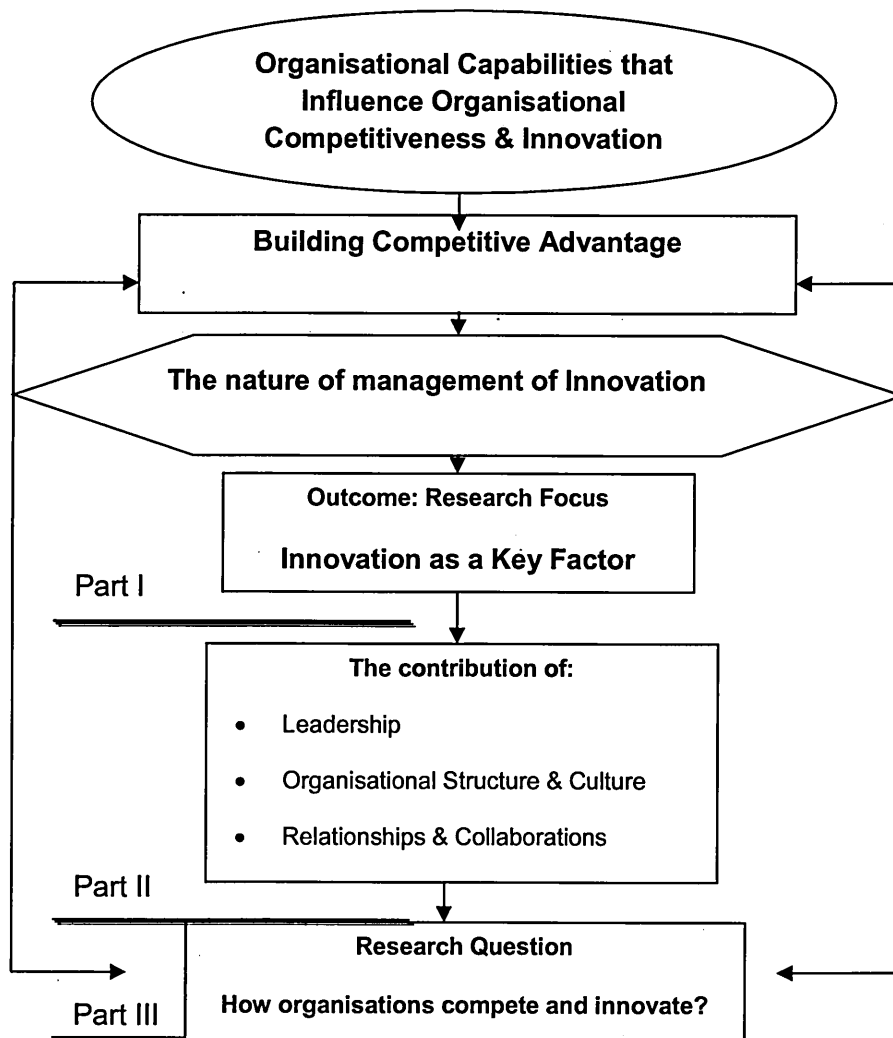
### 2.0. Introduction

The aim of this chapter is to explore the literature on organisational capabilities that influence organisational competitiveness and innovation allowing the author to obtain a greater depth of understanding. This chapter is divided into three parts. Firstly, the author explores the literature of competitiveness and how companies build their competitive advantage in a changeable environment. Thus, the author investigated the literature on the nature of innovation as well as the definitions thereof. Secondly, the influence of parameters such as; leadership management, organisational structure and culture's influence and relationships and collaboration's benefits in competitiveness are explored in order to draw a complete picture of how organisations compete and innovate. Thirdly, this chapter presents the research question that this study tried to answer.

From the literature in Chapter 1, it seems that the nature of the markets, the level of competition, technology development and the changing trends in the environment all impact organisational competitiveness and innovation. Prange and Schlegelmilch (2010) argue that management gurus and researchers alike have suggested that the only way to survive in business is to constantly challenge the existing way of doing business. Thus, the question which should be asked is "What is needed to survive in business in today's changeable environment?"

The role of this chapter is to explore the literature on how companies construct their competitive advantage and how they develop their capabilities to innovate, then to gain a better understanding of the nature of innovation and find the gap in the literature which will form the main research question. The following figure (2.1) summarises the plan for this chapter and also the steps that have been taken to explore the literature review of organisational competitiveness and innovation as well as how the author identified the primary research questions.

**Figure 2.1: The structure of chapter two**



## **2.1. Part I: Building Competitive Advantage**

This part of the literature review explores how organisations compete and how they build competitive advantage. Zairi (1996) suggests that the ability to determine rational capability (through strengths and weaknesses) and a rigorous attack to fulfil customer needs that are well defined through closeness to the market often result in successful competitiveness. It was argued in Chapter 1 that it is essential for companies to sustain their competitive advantage; they have to exploit their organisational capabilities to achieve the competitive advantage to stay in business. Since, customers' expectations are changeable and becoming a challenge to understand, companies should look for new innovative ways to satisfy them. Ranchhod (2004) comments that people first and foremost, and the way in which they adapt to their environment,

determine the success of organisations' marketing strategy implementation. Zairi (1996, p54) argues that, "numerous competitive variables determine competitive success, and new factors are emerging and interacting all the time. Phrases such as "market-driven strategies", "customer-based competitiveness", and "time-to-market" express a sense of urgency and a business attitude where winning strategies are based on a mix of criteria which focus more on the market and the end customer, and less on internal operations, technologies, products and services".

However, Ranchhod (2004) further discusses the importance of technology that not only shapes industry structure but also shapes the way in which organisations implement their marketing strategies and develop customer relations. With the speedy development of technology in today's turbulent environment, the crucial question is "How organisations can compete and gain success?" Oliva (2002) cited in Ranchhod (2004, 274), argues that these digital/networked interactive technologies have, can, and will create fundamentally new ways of doing business. Therefore, organisations should not confine themselves to "basic thinking". Tidd et al. (2005) state that the source of a competitive edge is seen as the ability to offer better service - faster, cheaper, and of higher quality. However, organisations need to remember that the advantages which are driven from these innovative steps get gradually eroded as other organisations duplicate them, unless an organisation is able to move into further innovation in this complex marketplace.

The challenge of organisations today is to consider the changes that are happening to their markets as well as the environment around them. Ovanessoff and Purdy (2011, p54) view that, "the 2010s will test the mettle of executives everywhere, especially as global competition continues to heat up, and as emerging market companies increasingly seek their places on the world stage. Major areas of opportunity are emerging - driven by dependable trends like changing demographics, rapid urbanisation, new information and energy technologies. The companies most likely to be successful in capturing rewards from these opportunities are those that develop fresh thinking in the new way they approach operational excellence, customers, innovation, and the trade-off between global efficiency and local relevance". Minina and Nikitina (2012) argue

that the construction of an innovative economy is essentially linked not only to an economic, but also to political, institutional and ideological modernisation. Mockus (2003) states that what you do not see is what often hurts you the most, thus, without understanding the picture of your competitive landscape, you are leaving yourself vulnerable to competitive forces and oblivious to lost opportunities. The author argues that as an example in the field of technology competition nowadays, it is imperative for organisations to think out of the box and react quickly to changes happening to their industry. Schiavone (2011) believes that the defining features of success in technological competition, as an example, are the ability to promptly and effectively react to technological change. Thus, technological change and the substitution of old products by new ones are common events in every industry, but events that may have significant strategic and competitive implications for companies. Jones and Austin (2002) argue that innovation is a key differentiator and a main driver of many purchase decisions. Product innovation can be an added benefit for the customer that will often influence product selection. When price is secondary to value, innovation in such arenas as new technology or improved customer interaction is a key to providing companies with the all-important competitive advantage. The argument here illustrates the need for organisation to innovate to stay in business.

The Economist correspondent Vaitheeswaran (2007) contends that innovation is the key to global competitiveness that is why innovation as a subject has to be considered. As an example, with manufacturing now barely a fifth of the economic activity in developed countries, the "knowledge economy" is becoming more important. As a result, rich countries may not be able to compete with emerging countries offering low-cost products and services if they do not learn to innovate better and faster. The manufacturers of low cost basic products also innovate to differentiate their products from even lower cost suppliers so putting further pressure on the companies from rich countries to innovate to improve their offer. Wong and Chin (2007) suggest that fundamentally, competitiveness is dependent on providing better satisfaction for customers than competitors in order to generate the funds that will sustain the business. (Krause, 2004) cited in (Wong and Chin, 2007) argue that innovation is an essential element for sustaining competitiveness and ensuring an



organisation's future potential. To sum up, companies need to do more than just respond to customers' requirements; they need to develop fresh thinking to sustain their competitiveness. Innovation appears to be a key to organisational competitiveness. The following section in this chapter explores the literature on organisational innovation to gain an understanding of the research subject and how it has been developed.

## **2.2. The Nature of Innovation and Definitions:**

Innovation as a subject is widely studied in the literature (Wong and Chin, 2007, Ribiere and Tuggle, 2010). Modern organisations see innovation as a big challenge to sustain their competitive advantages (Dooley et al., 2003), over the past five years innovation has become one of the top priorities for organisations that want to remain competitive (Ribiere and Tuggle, 2010). Therefore, it is worthwhile understanding the nature of innovation as well as in the context of this thesis defining it more precisely.

Drucker (1985 p27) defines innovation as "the specific instrument of entrepreneurship. It is the act that endows resources with a new capacity to create wealth. Innovation, indeed, creates a resource. There is no such thing as a 'resource' until man finds a use for something in nature and thus endows it with economic value". Wong and Chin (2007) define organisational innovation as a new deed to the whole organisation it is addressed as the development or adoption of an idea or behaviour into business operations. The question here though is, it becoming increasingly important for organisations to be aware of the significance of their organisational innovation for both profit and non-profit sectors and how they should build and manage their capabilities to this end. "Innovation is key to the future of our organisation" (Stamm, 2009, p13). Innovation could differentiate companies from competitors but innovation is broader than just technological advancements; it is a way of creating, doing, and transforming not only what is offered but the way in which it is offered (Lowe and Marriott, 2006).

In this context, innovation is linked to the creation of tangible or intangible actions which result in adding value to the end users, match their needs and distinguish organisations from their competitors. McMillan (2010) defines

innovation as, "process and design change form one state to another, involving a range of social and behavioural process, from surprise, disruption, grand leaps, to the unknown or unforeseen".

Innovation has been briefly defined in one UK Government document as, the generic term for the successful exploitation of new idea (Department of Trade and Industry, 2002) cited in Aronson (2008). Bessant and Tidd (2007) define innovation as the process of translating ideas into useful - and used - new products, processes or services. Alegre and Chiva (2008) argue that innovation is considered as an individual and collective learning process that aims to find new ways of solving problems. Consequently, innovation appears to rely on the company's capability to learn through which new knowledge is developed, circulated and used.

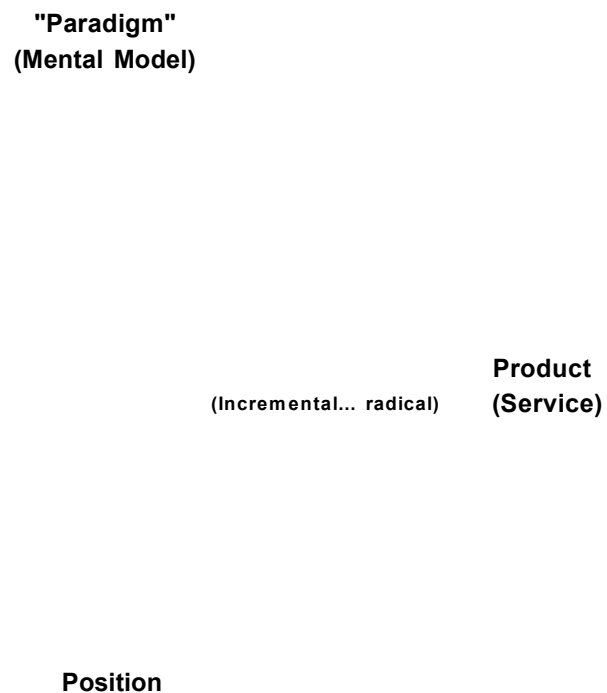
Tidd et al. (2005, p88) view that, "successful innovators acquire and accumulate technical resources and managerial capabilities over time; there are plenty of opportunities for learning- through doing, using, working with other companies, asking the customers, etc. but they all depend upon the readiness of the company to see innovation less as a lottery than as a process which can be continuously improved". This raises the question as to what organisations should do regarding technical resources and managerial capabilities to continuously improve? Hislop's (2005) description of the process of innovation as organisational innovation can be incremental, where the change could be small, or radical, where the innovation involves fundamental change. Secondly, innovations can be product/service focused (where product/service is redesigned as new or an existing product/services is modified), or process focused (where organisational processes and/or arrangements are modified).

Prange and Schlegelmilch (2010), suggest that there are companies that have sustained incremental innovation over a long period of time and have failed because of the ignorance of the most promising markets. Rothwell (1991, p108) comments that, "the ideas for the incremental innovation arose more frequently in-house but were less frequently associated with formal in-house research and development; they frequently arose in response to a customer's direct request; and they more frequently involved collaboration with customers and sometimes

with suppliers during their development". Utterback (1994) cited in Lowe and Marriott (2006, p70) describes the four categories of innovation as:

- ® Product innovation: changes in the products/services the organisation offers.
- ® Process innovation: changes in the way products/services are created and delivered.
- ® Position innovation: changes in the context in which products/services are introduced.
- ® Paradigm innovation: changes in the underlying mental models which frame what the organisation does.

Figure 2.2: The 4Ps of innovation space



**Source:** Adopted from Tidd and Bessant, Managing Innovation, 2009, p22.

De Sousa (2006, p398) defines innovation as "the outcome of a set of activities that use knowledge to create new value to those benefiting from its use. What is inherent to innovation is not so much the novelty of a given product or process, albeit that is often the case, but the creation of new value to those using the innovation. This draws a clear distinction between innovation and invention or creativity, which by definition are novel or new but do not necessarily create new value". Sullivan and Dooley (2009, p5) view innovation as, "the process of

making changes, large and small, radical and incremental, to products, processes, and services that results in the introduction of something new for the organisation that add value to customers and contributes to the knowledge store of the organisation".

Based on the literature review the author defined an organisation's capabilities as "its ability to exploit and organise its tangible and intangible assets to influence organisational competitiveness and achieve the competitive advantage". Thus, innovation could be the result of exploitation of an organisation's capabilities that can contribute in the production of new ideas that can add value and contribute to the success and the competitive advantage needed. Moreover, the value that will be added could be a new product/service, a development of the existing product/service, a new process or fundamental change in the business model. The (Department of Trade and Industry, 2002) DTI's definition of innovation cited in Aronson (2008), mentioned earlier, was used as a main definition in this study journey that, "Innovation is the generic term for the successful exploitation of new ideas".

This definition served as a guideline in analysing the phenomena of organisational innovation. In this context, the successful exploitation of new ideas is considered as an innovation which could differentiate an organisation from its competitors and contribute to organisations' success. However, the challenge is how to create a new idea or how to transfer it to a tangible product or service or new business model. In this context, organisations would need to understand what is going on around them as well as reflect on what is happening in the markets. Moreover, ongoing evaluation of the environment is assumed to clarify the directions that organisation would follow, but the challenge is the complexity and the uncertainty of the phenomena as well as the difficulty of the prediction which will make the job more complex to manage. Therefore, the crucial question here is how can organisations exploit and sustain their entire capabilities to gain competitive advantage, not just in creativity but commercialisation of ideas. Therefore, the following section explores the literature to give insights on how innovation can be managed.

### **2.3. How Innovation can be Managed**

Innovation is a key factor in organisational competitiveness. However, the challenge is how to manage it. Denton (1999) argues that ongoing innovation is crucial to life and competitive organisations. Nevertheless, the complexity and the uncertainty that is involved in this process make the managing of innovation challenging (Nagji and Tuff, 2012). Dobni (2006) cited in Desouza et al. (2009, p10) argues that, "Most organisations encourage innovation and discuss the need for it, but do not specify a process of innovation". Tidd et al. (2005) consider it might appear that it is impossible to manage something complex and uncertain. There are problems in developing and refining new basic knowledge, problems in adapting and applying it to new product and process, problems in persuading others to support and adopt the innovation, problems in gaining acceptance and long-term use, and so on.

Desouza et al., (2009, p8) take into account the process of innovation as, "complex and difficult to control or orchestrate. Many organisations continue to take a black box approach - only by chance or by happenstance might some ideas catch fire, and only those lucky ideas are investigated, developed, and commercialized. Innovation may seem disruptive to normal business operations because there are no standard procedures, rulebooks or guidelines". A change to the organisation's products, processes, and services is a result of innovation. Over the years some techniques have emerged for helping organisations manage changes, such as organisational design and project management, total quality management and Six Sigma (Sullivan and Dooley, 2009).

The question that can be raised is how some organisations do not understand the turbulent environment they operate in, and why do some organisations lose directions and misunderstand signals and others understand and change? Another issue organisations might face is that they may understand the changing environment, but not know how to respond to it. Schiavone (2011) argues in his conceptual paper that the main managerial implication of his study of technological change is that in order to understand and effectively respond to technological competition a wide and multi-dimensional approach is compulsory for managers. Rickards (1999) cited in Mayle (2006, p207) observes that,

"today the term 'paradigm' has found its way into the vocabulary of organisational management, in such terms as 'paradigm switch' and 'paradigm breakthrough'. The expressions are broadly taken to imply that a traditional belief system - the old paradigm - has been replaced by a new way of understanding, a new paradigm". Sullivan and Dooley (2009, p45) argue that, "paradigms rest at the center of the organisation's cultural web and are the set of assumptions commonly held to be true and accepted across the organisation. Employees rely on these paradigms to undertake their day-to-day operations in a manner satisfactory to the organisation. Paradigms provide stability within an organisation over time and provide a frame of reference through which employees can interpret turbulence in their environment. However, inappropriate or outdated paradigms can result in employees having an imperfect perspective on their environment. Therefore, management must understand the paradigms present in their organisational collective and assess whether these paradigms are appropriate to nurturing innovation". The argument raised here is that managing innovation is a fuzzy term, and there is a need to understand the parameters involved and what the dominant paradigm is.

In the twenty-first century innovation and innovation management is a challenge for management thinking, furthermore, companies need to change their ways of doing things differently to their competitors. Innovation seems to be necessary for businesses to gain the competitive advantage and to grow. The UK Office of Science and Technology cited in Tidd et al. (2005) considers and defines innovation as, "the motor of modern economy, turning ideas and knowledge into products and services". In theory most decision makers would agree with this statement but the challenge is how to implement it. Desouza et al. (2009, p10) argue that, "the first sign of a successful innovation program in an organisation is the presence of a defined innovation process".

### **2.3.1. The Generations of Innovation**

Innovation could be seen as a process rather than an event; for many organisations innovation takes place by chance, magically appearing from random sources and being captured by the organisation to generate value, however, organisations operating in this complex and turbulence environment cannot rely on luck to be successful (Sullivan and Dooley, 2009). Thus, the

challenge is how to manage innovation to build the necessary competitive capabilities. The following table (2.1) shows how the innovation paradigm has been shifted and changed. Rothwell (1994) presents the Fifth-generation (5G) innovation process and shows how generations of innovation have changed over time.

**Table 2.1: The generation of innovation**

Generation	Description	Emergence
First	Technology push model	Early 1950s-mid-1960s
Second	Market pull model	Mid-1960s-early 1970s
Third	Coupling model	Early 1970s-early1980s
Fourth	Integrated, parallel model	early 1980s-mid- 1990s
Fifth	Integrated, networked model	Late 1990s

Source: Rothwell (1994)

### **The First Generation Innovation Process**

This model of process innovation emerged after World War II. There was the emergence of new industries based largely on new technology opportunities. In this context the influence of science and technology was apparent. The emphasis was on intellectual people working in the organisation with limited connection to the outside world. In other words, the contribution to any new product development was mainly reliant on research and development (R&D) departments. The innovation model that emerged was linear, driven by the significance of research and development that pushed technologically superior products into the marketplace. Rothwell (1994) argues that during that period in general, attitudes in society were encouraging towards scientific advance and industrial innovation. In manufacturing companies the main corporate emphasis was on research and development to create new product ranges and for manufacturing to satisfy the rapidly increasing demand for them.

### **The Second Generation Innovation Process**

The second generation model emerged in the mid-1960s after competition began to increase and customers' needs became more important. As Sullivan and Dooley (2009) state the innovation model shifted from a supply focus to a

demand focus. Additionally, the innovation model was perceived as linear however it was driven by the needs of consumers rather than technology. In this context, power shifted from the research and development function to the marketing function, in order to better understanding of the customers' requirements as a source of innovation. The focus of this model was on what customers wanted and the adaption of innovation process with regards to their needs.

### **The Third Generation Innovation Process**

The emergence of the third generation was as a result of economic stagnation and the oil crisis in the 1970s. With the increased competition, organisations recognised the reality of the significance of the coupling and the interaction of the two models (technology push model and market pull model). Sullivan and Dooley (2009, p49) argue that, "organisations pursuing a technology push model produced radical innovations based on technological breakthroughs but often had difficulty finding a market use for their innovation. Similarly, organisations that pursued a market pull model had a ready market to accept their innovations, but their developments tended to be incremental and easily copied and surpassed. Organisations pursuing this coupling model endeavored to balance the competing pressures of technology push and market pull in order to achieve the optimum balance".

### **The Fourth Generation Innovation Process**

After the economic recovery in the mid-1980s the fourth generation model was influenced by Japanese companies, the recognition of supply chain power and the effectiveness of knowledge exchange. This model emphasised the need to engage the external and internal stakeholders in the process of innovation and also the realisation of the relationships of parallel activities and its effectiveness could be enhanced through ongoing analysis and learning (Sullivan and Dooley, 2009). Rothwell (1994, p12) confirms that, "innovating Japanese companies integrate suppliers into the new product development process at an early stage while at the same time integrating the activities of the different in-house department involved, who work on the project simultaneously (in parallel) rather than sequentially (in series)". Leifer et al. (2000, p94) believe, "a business model is a broad-stroke picture of how an innovative concept will create



economic value for the ultimate user, for the company, and for its partners. It considers the infrastructure required to move the product to the market in a manner that is both easy and convenient for customers and profitable for the company".

### **The Fifth Generation Innovation Process**

The focus of this model is on networking, system integration and agile communication infrastructure. Rothwell (1994, p15) suggests "a number of leading innovators today are adopting a variety of practices that are now shifting them towards an even more favorable cost/time curve, i.e. towards even faster development speed and greater efficiency. These practices include internal organisational features, strong inter-company vertical linkages, external horizontal linkages and, more radically, the use of a sophisticated electronic toolkit. The organisation, practice, technology and institutional scope of product development in leading innovators, taken together, represent a shift towards the fifth generation innovation process, process of system integration and networking (SIN)". The emergence of the internet, globalisation, and the concept of open innovation, meant the new model must be capable of structuring the engagement of all stakeholders and yet remain agile enough to adapt to unforeseen events (Sullivan and Dooley, 2009).

The paradigm shift over time shows the focus for organisations in wanting to gain competitive advantage. The first generation had a significant focus on research and development and the production of new innovation (scientific and technological discovery); however, the issue with this perspective is the challenge of marketing the produced innovation. In addition, the single focus on research and development in generating new ideas limits the generation of new ideas. In other words, the focus was on certain people and departments within the organisation. Currently, it is imperative even for nations trying to be more open to overcome the current economic crisis. Organisations that appreciate all five generations of innovation have a better understanding of the holistic process and its complexity and are thus better able to manage and nurture innovations through the process (Sullivan and Dooley, 2009). Trott (2012) confirms that models of innovation need to take account of mobile phones, email and websites as obvious examples of new technologies which allow

immediate and extensive interaction with many collaborators throughout the process from conception to commercialisation.

A video, published by Booz & Company (2012), confirmed that Silicon Valley is 1500sq miles of the most fertile innovation ground on earth. The Pay Area Council Economic Institute compared Silicon Valley companies with 1000 of the world's top innovators. Shockingly, 1 in 5 companies globally have no innovation strategy at all but in the Pay Area, 90% have strong strategy supported by top executives. The big question is why these companies are so far ahead? Booz & Company and the Bay Area Council Economic Institute set out to identify the "secret sauce" that makes the San Francisco Bay Area a global innovation leader (Booz & Company, 2012). Matthew Le Merle, the co-author of the culture of innovation of Booz & Company (2012), argues that we normally say that the Pay Area is successful because it combines innovation capacity, access to capital and then the secret ingredient called the culture of innovation but we have never been able to quantify before what that meant. Booz & Company (2012) confirm that, almost 50% of Pay Area companies say their corporate culture strongly supports innovation that is more than double the rest of the world. This culture of innovation is the real secret to Silicon Valley's success. Barry Jaruzelski, the co-author of the culture of innovation and senior partner, at Booz & Company (2012), also suggests that what makes it different and superior are things around, organisation alignment, the culture of putting customer first and deep end user understanding. Booz & Company (2012) believe that the good news is that an innovation culture can be replicated anywhere: First, have a clear innovation strategy aligned with your customers' needs. Second, have your technical requirements reported directly to the CEO. Third, develop communicating your innovation strategy from the top. Fourth, constantly refresh your product development staff and welcome their ideas. An innovation culture is a real competitive advantage and it is one that you can build anywhere (Booz & Company, 2012).

Hence, there is room for optimism that the organisational innovation process could be managed to enable organisations to compete much more favourably. However, it is questionable, as this argument is based on previous examples which are all considered to be large organisations such as Face-book, Google,

Apple, and ORACLE. Therefore, it is worthwhile exploring the story of SMEs in South Yorkshire and endeavour to discover which of the models presented by Rothwell the studied companies adopted. Are there different successful innovation management models out there? Jaruzelski et al. (2011, p3) suggest that, "the ways Research and Development Managers and corporate decision makers think about their new products and services and how they feel about intangibles such as risk, creativity, openness, and collaboration are critical for success. The effectiveness of knowledge and generation of ideas within organisations is assumed to be the key part in creating the climate of innovation". However, the challenge of developing a plan or mechanism to implement this process needs more exploration from researchers to understand how it can contribute to a company's success.

### **2.3.2. The Generation of Ideas as a New Model**

At the October 2003 Procter & Gamble (P&G) annual meeting, the Chairman and Chief Executive Alan G. Lafley said "Our vision is that 50 percent of all P&G discovery and invention could come from outside the company" (Markides and Geroski, 2004). Jaruzelski et al. (2011, p3) emphasise that, "the key finding that their Global innovation 1000 study of the world biggest spenders on research and development has reaffirmed is that in each of the past seven years, there is no statistically significant relationship between financial performance and innovation spending in terms of either total dollars or research and development as a percentage of revenues". Lee et al. (2010, p 290) argue that, "the concept of open innovation has emerged, with processes that are characterised as spanning company boundaries. Companies now want to include in their business model not only the commercialisation of their own ideas, but also of external ideas".

Chesbrough (2006) highlights the significance of open innovation. In an environment of fast change leading to new potential markets, companies will need to learn how to play poker as well as chess. Therefore they need to change their way of thinking to take their ideas to market. Moreover, companies cannot rely completely on their own ideas and only taking one path of its innovation to market. So they have to view venture capitalists, start-ups and spin-offs as experiments that might lead to new sources of technology and growth. Narula (2004) cited in Lee et al. (2010, p290), suggests that open

innovation is studied more in larger companies, as SMEs have less access external resources and fewer technological assets that they can exchange with larger companies. Innovation processes differ between large companies and SMEs and as a result open innovation in SMEs will be different from that in large companies (Vossen, 1998) cited in (Lee et al., 2010).

Thus, one of the research questions that this study explored was the role of open innovation for the researched SMEs. This is supported by (Lee et al., 2010 and Bogers's (2011) conclusion that the attributes of and the impact of open innovation for SMEs is not yet fully understood. Despite that Jones and Tilley, (2003) cited in Lee et al. (2010, p291) argue that naturally encouraging innovation in SMEs is a central policy initiative for stimulating economic development at the local, regional, and even national level. Jaruzelski et al. (2011) have concerns that in order to be successful, technical drivers must find the proper balance between the pure research and development efforts that in the past led to high-tech breakthrough innovations and the more market oriented activities of their less tech-centred brethren. Organisational behaviour and IT practices are the foundation for organisational learning via improved knowledge articulation and knowledge codification, as a result these practices emphasise the importance of deliberate learning for the development of dynamic capabilities to enhance performance (Jeffrey and David, 2009).

As a new wave of management thinking and also Chesbrough's term of open innovation model, companies need to look beyond their boundaries and share knowledge, resources, risks and rewards. Thus, companies need to evaluate how the resources and capabilities of stakeholders, suppliers and customers can be exploited and also how being open would be a key to achieve the right cooperation to create exceptional value. However, a high degree of trust is required in sharing knowledge; as a result this sharing of knowledge and information builds innovation capabilities by learning from one another (Soosay et al., 2008).

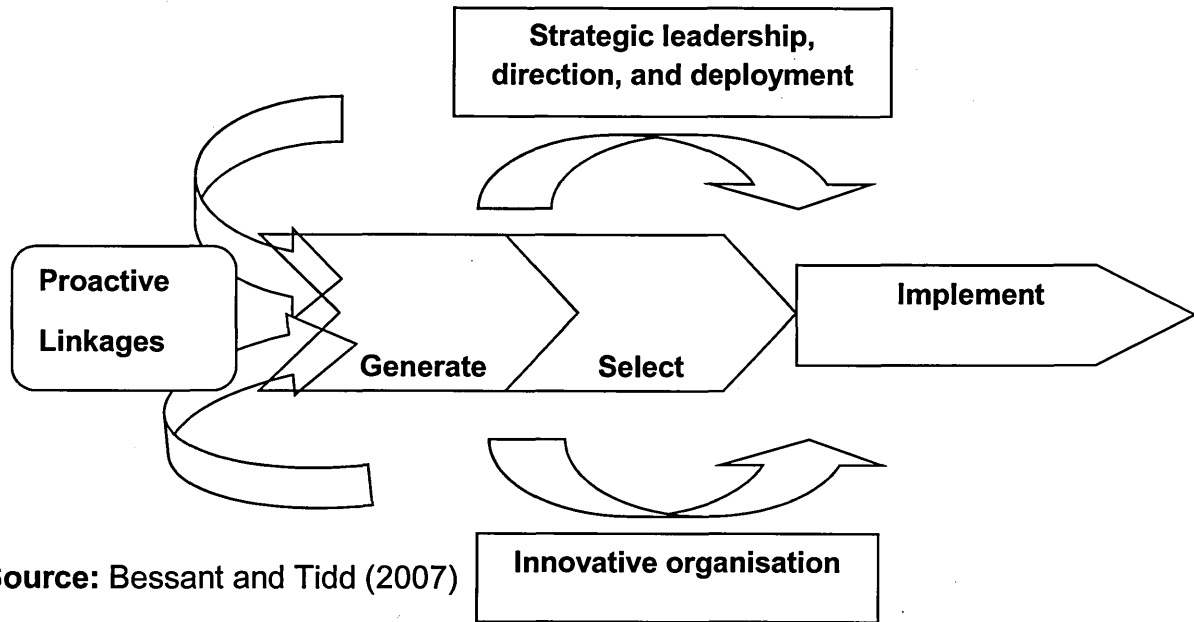
The importance of knowledge in innovation has been emphasised in the literature (Savory, 2009, Todtling et al., 2006, Todtling et al., 2009) and the depth of knowledge held by decision-makers and innovators significantly impacts the outcome of learning and creativity, as it influence the ability to

making sense of the emerging relationships and the ability to create the primary outcome of the innovation process of new value (De Sousa, 2006). To mutually profit from each other's resources and resource complementarity research and development collaborations are typically established. Furthermore, as mutual learning is a main driver for the development of knowledge and technology within collaborations, knowledge complexity as well as teachability affect the ease with which knowledge is successfully shared (Bogers, 2011). Trott (2012) argues that the latest advances of information and communication technologies enrich the interaction process and can improve new product development process.

The focus for organisations is to create a differentiable advantage using knowledge. Knowledge management DNA defines both the extent to which employees understand the relevant business environment and then transfer this understanding into differentiable value in the marketplace. Key knowledge areas include market sensing (customer product and service preferences) and competitive awareness (industry trends and competitors' positioning efforts). This should be broadly adopted and should include all employees, enabling them to understand customer needs, build and maintain relationships, and consider the impact of changing competitive landscapes (Dobni, 2008). Jaruzelski et al. (2011) produce research which surveyed almost 600 innovation leaders in companies around the world, large and small, in every major industry sector. They believe around 20 percent of companies do not have a well-defined innovation strategy at all. Bessant and Tidd (2007) confirm the capabilities in the organisation to manage resources (people, equipment, knowledge, money etc.) influence the success of innovation. Moreover, that innovation is about three core themes:

- ⊙ Generating new ideas
- ⊙ Selecting the good ones
- ⊙ Implementing them.

**Figure 2.3: Simplified model for managing innovation**



**Source:** Bessant and Tidd (2007)

Bessant and Tidd (2007) also confirm that turning ideas into reality does not happen in a vacuum, it is influenced by a variety of factors. In this sense, innovation needs a clear strategic leadership and direction plus the commitment of resources to make it happen. In addition, the structure and climate assists people to deploy their creativity and share their knowledge to bring about the desired change. Finally, proactive links across boundaries inside the organisation and outside can play a part in the innovation process. The importance of strategic leadership as well as top management team vision on innovation is unambiguous. That is, it is argued by the author that leadership commitment and vision would affect the direction of an organisation and the way of doing things. However, as De Jong and Den Hartog (2007) argue little integration of leadership and innovation research is found in the literature. Instead a number of innovation studies explore the influence of leader behaviours in relation to performance outcomes, that is, leader behaviours that positively affect outcomes such as effectiveness and efficiency rather than innovation-related outcomes. The author is aiming to provide more insights into the influence of leadership on innovation. McMillan (2010) shows an understanding of the linkages between competition and innovation, between technological innovation and organisational rigidities, between management inertia and the need for organisational change, is the managerial challenge.

Therefore, the study endeavoured to explore the complete picture and study all the parameters involved.

In order to keep up with the current trends and build competitive advantage, it needed leadership needs to be more oriented toward change and development (Arvonen and Pettersson, 2002) cited in Lee (2008). Because market conditions shift swiftly, managers always have to know how well their projects are doing. Managers must constantly pay attention to the operational details of innovation projects (Desouza et al., 2009). Dooley et al. (2003, p423) argue that, "appropriate leadership, structures, and tasks, all interact with and influence the quantity and quality of creative work carried out by the members of an organisation. They suggest leadership plays a key role in unleashing the creative power of every employee". Carneiro (2008, p176) views, " the main strategy of surviving organisations during this century inevitably will be associated with the formation of a sufficiently effective innovation management system for coping with emergent industries and aggressive innovative movements coming from competitors and the provision of adequate leadership's skills for improving organisations' responsive directions". As it can be seen, from figure 2.3 above, leadership plays an important role in generating new ideas for innovation, and also the organisational behaviour towards innovation. Moreover, the relations and linkages of companies could play a crucial part in organisational innovativeness. Therefore, the next sections explore the influence of leadership management, organisational culture, and relationships and collaborations in competing and innovating.

#### **2.4. Part II: The Influence of Leadership and Top Management**

This section explores the available knowledge in literature on organisational competitiveness and innovation, which have been previously considered as significant factors that influence the implementation of organisational innovation processes in organisations. The importance of leadership behaviour is studied in the literature and the role of leaders in affecting the work climate, and ideas generation is suggested (de Jong and Den Hartog, 2007; Dooley et al., 2003). Also the roles of leadership and management in times of organisational change (Borgelt and Falk, 2007; Desouza et al., 2009). Northouse's (2007, p3) definition of leadership is that, "leadership is a process whereby an individual

influences a group of individuals to achieve a common goal. That is, it is not a trait or characteristic that resides in the leader but a transactional event that occurs between the leader and his or her followers. This implies that a leader is affected by followers. It emphasises that leadership is not a linear, one-way event but rather an interactive event. When leadership is defined in this manner, it becomes available to everyone. It is not restricted to only the formally designated leader in a group". There are many definitions for leadership. It is like the word democracy, love, and peace. Despite that we intuitively know what we mean by such words, the words can have different meanings for different people (Northouse, 2010). Building on Northouse's definition, the assumption of the significance of leadership is one of the dimensions in exploring organisational competitiveness and innovation; how it can be managed is part of the role of this study and hence contributes to the body of knowledge by studying the phenomena holistically.

Northouse's (2010) leadership definition is based on various components: (a) leadership is a process, (b) leadership involves influence, (c) leadership occurs in groups, and (d) leadership involves common goals. Hesselbein (2000) defines leadership is a matter of how to be, not how to do it. It is do with responsibility, leading by example, and leading by voice, with language that illuminates, defines, and embraces. It has little to do with power; it is the enduring gift of the leader. According to Rost's (1991) definition cited in a review by Santora (1992), leadership is "an influence relationship among leaders and followers who intend real changes that reflect their mutual purposes".

Figure 2.4: What leadership involves

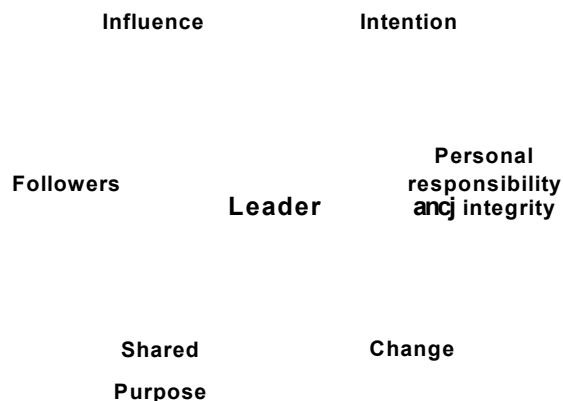




Figure (2.4) above outlines the key element of the leadership's definitions presented earlier. Leaders and followers share purposes through the influence of leadership which occurs among people, those people intentionally desire significant changes. The meaning of influence is that the relationship among people is not passive; it is multidirectional and non-coercive (Daft, 2008). De Jong and Den Hartog (2007, p44) define, "leadership as a process of influencing others towards achieving some kind of desired outcome." Ahmed (1998, p42) argues that, "leaders narrowly focused their total efforts in trying to come up with the next great innovation. Instead, their time would have been better spent designing and creating an environment that would be able to create innovations of the future".

In order to lead the changes required to build competitive organisations, leaders must adopt a new perspective. They need to look at the organisation as a compound series of human relationships and they need to have the commitment to build the required human links that allow the organisation to think with one mind towards a common goal (Joiner, 1987). Isaksen and Laver (2002) cited in Lee (2008) found that leaders who tend to tear their followers' ideas down, and make them afraid to ask questions or make mistakes are the least creative teams.

Adair (2007) states that the concept of leadership, unlike management, implies that the leaders are constructing their own output as well as coordinating or guiding the work of others. In this sense, senior staff are still doing experimental tasks, not sitting behind desks and managing others. Kotter (1998) cited in Sarros et al. (2011, p292) argues that, "only through leadership can one truly develop and nurture culture that is adaptive to change". Many scholars distinguish between the function of leadership and management as Kotter (2001, p85) states quoting the difference as, "they don't make plans; they don't solve problems; they don't even organise people. What leaders really do is prepare organisations for change and help them cope as they struggle through it". Leadership and management are two distinguishing and complementary systems of action; each has its own function and characteristics (Kotter, 2001). Moreover, they are necessary for success in an increasingly complex and unpredictable business environment. Leadership is essential in creating a

positive climate of innovation among employees and organisations as a whole, and also to coordinate and manage their capabilities to meet an organisation's goals. It is because "Our common sense tells us that leadership is an important ingredient for a successful organisation" (Joiner, 1987, p160).

Figure 2.5 below of functions of management and leadership draws a line between management and leadership stating and classifying the two in terms of their functions. According to the figure the difference is clear but the combination can be useful and enhance the performance, in terms of "most executive understand what is at stake and what matters, even if their companies do not always seem to get it right" (Jaruzelski et al., 2011, p2).

**Figure 2.5: Functions of management and leadership**

<b>MANAGEMENT</b>	<b>LEADERSHIP</b>
Produces Order & Consistency	Produces Change & Movement
<b>Planning and Budgeting</b>	<b>Establishing direction</b>
<ul style="list-style-type: none"> <li>• Establish agendas</li> <li>• Set timetables</li> <li>• allocate resources</li> </ul>	<ul style="list-style-type: none"> <li>• create a vision</li> <li>• Clarifying big picture</li> <li>• Set strategies</li> </ul>
<b>Organizing and Staffing</b>	<b>Aligning people</b>
<ul style="list-style-type: none"> <li>• provide structure</li> <li>• make job placements</li> <li>• Establish rules and procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Communicate goals</li> <li>• seek commitment</li> <li>• build teams and coalitions</li> </ul>
<b>Controlling and Problem Solving</b>	<b>Motivating and Inspiring</b>
<ul style="list-style-type: none"> <li>• develop incentives</li> <li>• Generate creative solutions</li> <li>• Take corrective action</li> </ul>	<ul style="list-style-type: none"> <li>• Inspire and energize</li> <li>• Empower subordinates</li> <li>• Satisfying unmet needs</li> </ul>

**Source:** A Force for Change: How Leadership Differs from Management (pp3-8) by J.P. Kotter, 1990, New York: Free Press, cited in Northouse (2007).

The difference between innovative leadership and routine management, which is demonstrated in the figure (2.5) above, shows some factors that can lead to an innovative organisation or vice versa. However, it could be easy to identify some factors that contribute to the innovation process but it might be very hard for companies to implement them. Organisations cannot be successful without effective leadership, a business short on leadership has little chance for survival but a business short on capital can borrow money and one with a poor location can move elsewhere (Bennis and Nanus, 1997). Carneiro, (2008, p179) believes effective leadership is, "initially realised on a basis of commands and orders and later a need to verify the results, to control the behaviour of our subordinates. However, a leadership style focused on innovation and development is just the opposite". Therefore, the identification of the critical factors in leadership might be possible but the implementation is potentially a great challenge.

There are two ways to view the debate of the difference between management and leadership as concepts that are vital to determining organisational competitiveness. The first view is the academic approach which teases out structural and behavioural differences between these two constructs. The second view is the managerial approach which recognises that for global managers, the integration of these two constructs is more significant than differentiation. Leadership is as an integral and inseparable part of good management. Thus, what matters most is how individual managers can see and understand the situation and cultural realities and then take advantage of their own unique personal skills and abilities including their approaches to leadership to get the job done (Steers et al., 2010). Kellerman (2012) states that when it comes to education and training of leaders, we have no idea what works and what does not.

McMillan (2010, p13) argues that, "innovative organisations have managers and leaders who collectively and individually combine a skills set widely accepted by organisational members, including a cross-section of key stakeholders". Mohamed et al., (2004) and Schein (2004) emphasise the role of leadership in mobilising middle managers to provide sharing of knowledge across functions and in overcoming resistance to change, and dismantling barriers to

communication across the organisation as well as between different levels of management. Furthermore, for cross-functionality and Knowledge Management (KM) to work together, leaders must promote relationships that bring people together and reward them for taking correct actions or reaching valuable solutions. Leadership must avoid meddling and forcing mechanisms, while at the same time encourage the learning environment to motivate employees to experiment. Kellerman (2012) states that only 7% of all employees trust their leaders. Joiner (1987) also argues that to reduce difficulty in directing people toward the goals of excellence a leader should understand people, their needs, and their dreams. Feurer and Chaharbaghi (1994, p49) consider that, "business strategies are formulated to determine the way in which organisations can move from their current competitive position to a new stronger one. This can only be achieved by improving an organisation's competitiveness".

Dobni (2008) affirms that managers tend to use the term innovation and strategy together, as they are one and the same, however, in this context innovation is defined as a state of being whilst strategy is only a process of doing. The two are complementary, and success with innovation will depend on how managers are able to connect with the emergent opportunities associated with strategy. To achieve this balance, Dobni (2008) suggests that it is crucial to abandon arranged stagnant practices and allocate resources to create a context that encourages autonomous innovative behaviours. This is an interesting area to explore in the selected companies. The following section on leadership eras explores how the leadership theories have been developed. The explanation below is based on Daft's (2008) framework which assesses leadership theories from Great Man to today's relational theories.

#### **2.4.1. Leadership Eras:**

Daft (2008) suggests a framework for examining the evolution of leadership from Great Man Theories to today's relational theories. The following figure (2.6) outlines an era of leadership thinking that was dominant in its time but may be still appropriate for today's world.

Figure 2.6: Leader evolution

		<b>Environment</b>	
		<b>Stable</b>	<b>Turbulent</b>
		<b>Era 2</b>	<b>Era 3</b>
		<b>Rational Management</b>	<b>Team or lateral Leadership</b>
		Behaviour theories Contingency theories	• Influence theories
<b>Individual</b>	Organisation:	<ul style="list-style-type: none"> <li>• Vertical hierarchy, bureaucracy</li> <li>• Functional management</li> </ul>	Organisation <ul style="list-style-type: none"> <li>• Horizontal organisation</li> <li>• Cross-functional teams</li> </ul>
<b>Scope</b>		<b>Era 1</b>	<b>Era 4</b>
		<b>Great Person Leadership</b>	<b>Learning leadership</b>
		<ul style="list-style-type: none"> <li>• Great Man Theories</li> <li>• Trait theories</li> </ul>	<ul style="list-style-type: none"> <li>• relational theories</li> <li>• Level 5 leadership</li> </ul>
<b>Organisation</b>	Organisation:	<ul style="list-style-type: none"> <li>• Pre-bureaucratic organisation</li> <li>• Administrative principles</li> </ul>	Organisation <ul style="list-style-type: none"> <li>• High- performance culture</li> <li>• Shared vision, alignment</li> <li>• Facilitate change and adaptation</li> </ul>

**Source:** Daft, 2008, Leadership, p21

Leadership Era 1 Most organisations were small and run by a single individual who would hire workers because they were friends or relatives, not because of their skills and qualifications. This era might be conceived as pre-industrial and pre-bureaucratic. The size, nature of organisations and the stable environment helped the single person to understand the big picture and keep things in order. This is the era of Great Man leadership and the emphasis was on personal characteristic of leaders such as intelligence, honesty, self-confidence and appearance (Daft, 2008).

Leadership Era 2 In this era the appearance of hierarchy and bureaucracy is clear. In order to assure efficient and effective performance of activities, organisations have begun to grow so large that despite the environment remaining stable, the need for rules and standard procedures becomes apparent. Decisions once based on rules of thumb or tradition are replaced with precise procedures thus hierarchy of authority provides a sensible mechanism for supervision and control of workers. Employees are expected to do what they are told, follow rules and procedures, and perform specific tasks. The rational manager using an impersonal approach was well suited to a stable environment

with concentration on details rather than the big picture. The ability of leaders in this era to analyse their situation, develop careful plans and control what happened, helped behaviour and contingency theories function. Contingency means "it depends" thus there is no one best way of leadership. One thing depends on another thing, thus to be effective there must be a suitable fit between the leader's behaviour and style and the conditions in the situation (Daft, 2008).

**Leadership Era 3** Due to the unstable environment, the techniques of rational management were no longer successful. Furthermore, the Organisation of the Petroleum Exporting Countries (OPEC) oil embargo of 1972-1973 and the global competition of the 1980s and early 1990s made many managers see that the environment had become chaotic. The Japanese ideas of team leadership and total quality began to dominate the world. This led to an era of great confusion for leaders. They tried team based approaches, downsizing, reengineering, quality systems, empowerment, increase diversity and more open communication (Daft, 2008).

The shift to team based knowledge work questioned the traditional model of leadership as one person always being in charge. However, the focus was always on the person with knowledge, skills and abilities for the particular issues facing the team at any given moment so leadership could be shared by team leaders and team members (Pearce, 2004).

**Leadership Era 4** The influence of the digital information age and the speed of the change increased. In this era of the learning leader, they concentrated on relationships and networks and sought to influence others through vision and values rather than power and control. This era requires the full scope of leadership that goes far beyond rational management or even team leadership. Leaders are constantly experimenting, learning, and changing in both their personal and professional lives and encouraging the growth and development of others (Daft, 2008).

"Most of today's organisations and leaders are still struggling with the transition from a stable to a chaotic environment and the new skills and qualities needed in this circumstance. Thus, Era 3 issues of diversity, team leadership,

empowerment, and horizontal relationships are increasingly relevant. In addition, many leaders are rapidly shifting into Era 4 leadership by focusing on change management and facilitating a vision and values to encourage high performance and continuous adaptation" (Daft, 2008, p22). This evaluation of the four leadership eras raises the question of how relevant are the leadership styles and behaviours of SMEs in South Yorkshire. For example, with the effect of a long industrial history in the region, are organisations run by individuals and do they still hire workers because they are friends or relatives? Moreover, what are the effect of the size and the nature of organisations in leadership? As suggested earlier, leadership management is a crucial issue in studying organisational competitiveness and innovation, the influence of leadership on the performance of organisations is significant. The following section will explore the importance of the behaviour of leadership. Adair (2010) further argues that for organisations to succeed they must have effective leaders occupying the roles of: team leadership, operational leadership and strategic leadership, that are working together in harmony as a team. Adair (2007) argues that some managers recognise the need for change in a general sense; however they do not accept the practical implication for themselves and their companies. Therefore, the top leadership team, the chief executive and executive directors need to show clearly that they are committed to the strategy of innovation. Their weight and influence is necessary to overcome the barriers and resistance to useful change which innovators often encounter. It is their job as leaders, at any level in the organisation to smooth the progress of desirable change and to encourage that attitude throughout the management team.

Schein (2004) comments that change requires organisations to move into unfamiliar areas where they may lack knowledge and expertise initially therefore they must learn quickly. However, the only way of adopting a learning culture is for leader to admit that there is much that they do not know and must teach others to accept that there is much that they do not know too, which allows the learning task to become a shared responsibility. In addition, employees have to be proactive problem solvers. Connected units are desirable and also accurate and relevant information must be accessed freely (Schein, 2004). Therefore, the question is "Do companies have a learning culture to enhance organisational competitiveness and innovation in this turbulent, complex and changeable

environment?" Furthermore, are organisations learning from their mistakes and their changing environment?

Schein (2004) argues that leaders need to be able to analyse the culture in satisfactory detail to know which cultural assumptions assist and which ones hinder the accomplishment of the organisational mission and in addition become supportive of the learning efforts of others and have the intervention skills to make desired changes happen. Öner (2012, p312) states that, "in both servant and paternalistic leadership, the intention of the leaders is crucial. It is crucial to examine both how paternalistic leaders use control and how servant leaders use service. Ideally, the intention is to influence the followers for the organisation's benefit rather than employees' manipulation". Carneiro (2008) argues that the support of leadership can help human resources to notice that the desire to be successful professionally is recognised and appreciated. Sarros et al. (2011) suggest that because transformational leaders engage their workers in the strategic orientation of their organisations and build innovative and creative enterprises as a result, then helping leaders better articulate their organisational vision is a worthwhile endeavour. On the other hand, organisations need to achieve some degree of insight and develop enthusiasm to change, before any change is forced upon them and the leader must create this involvement. This raises the question as to how can the intervention of leadership create this kind of ethos that can help to gain success in organisations through innovation?

A link between innovation and competitive advantage is apparent (Hamel and Prahalad, 1996, Lowe and Marriott, 2006, De Sousa, 2006). However, the link between innovation and leadership behaviours has received little attention from researchers, despite the fact that these behaviours are crucial in sustaining organisational innovativeness and also in fostering an innovative culture in organisations which will affect the employee's innovative behaviour (De Jong and Den Hartog, 2007). De Jong and Den Hartog (2007, p49) presents thirteen leadership behaviours that connect to innovative behaviour in the following table.



**Table 2.2: Leaders behaviours**

<b>1. Innovative role-modelling</b>	Exploring opportunities, generating ideas, championing and putting efforts in development.
<b>2. Intellectual stimulation</b>	Teasing subordinates directly to come up with ideas and to evaluate current practices.
<b>3. Stimulating knowledge diffusion</b>	Stimulating open and transparent communication, introducing supportive communication structures like informal work meetings.
<b>4. Providing vision</b>	Communicating an explicit vision on the role and preferred types of innovation, providing directions for future activities.
<b>5. Consulting</b>	Checking with people before initiating changes that may affect them, incorporating their ideas and suggestions in decisions.
<b>6. Delegating</b>	Giving subordinates sufficient autonomy to determine relatively independently how to do a job.
<b>7. Support for innovation</b>	Acting friendly to innovative employees, being patient and helpful, listening, looking out for someone's interests if problems arise.
<b>8. Organizing feedback</b>	Feedback on concepts and first trails, providing feedback to employees, asking customers for their opinion.
<b>9. Recognition</b>	Appreciation for innovative performances.
<b>10. Rewards</b>	Financial/material rewards for innovative performances.
<b>11. Providing resources</b>	Providing time and money to implement ideas.
<b>12. Monitoring</b>	Effectiveness and efficiency, checking-up on people, stressing tried and tested routines (negative relationship)
<b>13. Task assignment</b>	Providing employees with challenging tasks, make allowance for employees' commitment when assigning tasks.

Source: De Jong and Den Hartog, (2007)

The research was carried out with 12 managers or entrepreneurs (business owners) in a small knowledge-intensive service company (< 100 employees).

The focus was on a leader's role in influencing employees' innovative behaviour and ideas generation. However, leadership might be important only in creating a work climate in support of employees' innovative efforts (De Jong and Den Hartog, 2007). Fishman and Kavanaugh (1989) cited in Sarros et al. (2011, p294) suggest that how people respond to change and innovation in organisational cultures is shaped by the behaviours of leaders.

McMillan (2010, p14) argues that, "successful organisations are the ultimate team sport, where leadership and change are institutionalised at all levels, focusing on careful blend of new ideas, routines, and incentives for three key stakeholders (1) customers; (2) the workers; and (3) shareholders". Humphreys et al. (2005, p299) concluded that, "innovation driven organisations must have innovative and committed leaders. There is a risk of losing touch with the core workforce if communication issues are left unresolved. The organisation must continually show commitment to the process of innovation. It is much more difficult to maintain momentum than set the process in motion. There is an attendant danger of relying on past performance". Thus, it is relevant to find out what were the leader's behaviours in the studied companies to compete and innovate.

Adair (2007, p36) argues that, "innovative organisations do not happen by chance. They are the end products of good leadership and management. The essence lies in getting the balance right between freedom and order, between the anatomy of the parts and the integrity of the whole". Carneiro (2008) suggests that the need for new model of strategic leadership which should be oriented to generate an organised innovative effort is imperative. O'Reilly et al. (2010) cited in Sarros et al. (2011) view leadership as facilitating others performance and thus leadership is found throughout all levels of an organisation not just among senior executives. Kellerman (2012) argues that leadership as an area of intellectual inquiry has little original thought towards what leader learning in the second decade of the twenty-first century should look like. He further argues that more money should be made available in teaching people how to lead than in how to follow with intelligence and integrity, which sometimes entails refusing to follow, refusing to go along with leaders who are ineffective or unethical or both. Desouza et al. (2009) confirm that managers not only supply a clear map of changes, but also create strong

relationships with key customer segments. Stamm (2009, p14) argues that, "leaders in organisations should take it upon themselves to actively seek ideas and actively listen to what people have to say - inside the organisation (as well as outside)". Wheeler et al. (2007) cited in McMillan (2010, p13) view that, "the effectiveness of leaders depends, more than is generally realised, on the context around them. Over time, the leader's capability is shaped by the top team's quality, and by the capabilities of the full organisation. These can either provide invaluable support for the changes a leader wants to make or render those changes impossible. Hence, the best leaders pay a great deal of attention to the design of the elements around them".

As previously mentioned leaders influence relationship among leaders and followers (Rost, 1991). Furthermore, leaders develop and create culture that is adaptive to change (Kotter, 2001, Carneiro, 2008). Desouza et al. (2009, p30) argue that, "organisations need a common language around which to discuss and analyse innovation". Edwards and Gill (2012) highlighted the need for the development of transformational leadership behaviours at all levels of UK manufacturing organisations. Densten and Sarros (2012) argue that chief executive officers tend to articulate vision, intellectual stimulation and high performance expectations to improve innovation, while stability will be enhanced through providing individual support. Beer (2012, p8) states that, "what stood out for us about the 36 leaders in our study was their deep commitment to fully realising the potential of their firms to create superior and lasting economic and social value, and to achieve both goals simultaneously. We call this their higher ambition". Perrin et al. (2012) confirm that the better leaders are able to adopt new strategies, adjust current strategies and recognise strengths and weaknesses of others. Mumford et al. (2002) cited in Sarros et al. (2011, p295) confirm that organisational climate and culture represent collective social constructions over which leaders have considerable influence. This causes the author to question "Is this a top down way of thinking or is it cooperative effort?" This research investigates the role of leadership in building an innovative and competitive culture. The following section of the literature explores the role of organisational culture in creating competitive and innovative organisations.

## 2.5. Organisational Cultures

The term organisational culture first appeared in English language literature in the 1960s as synonym of "climate". However, organisational culture as a topic has been a fashionable subject since early 1980. The management literature in the 1980s began to prefer the claim that the superiority of an organisation is contained in the common ways by which its members have learned to think, feel and act. Organisational culture is a soft, holistic concept with however, presumed hard consequences. It is a phenomena, different in many respects from national cultures. An organisation is a social system of a different nature than a nation (Hofstede, 1997).

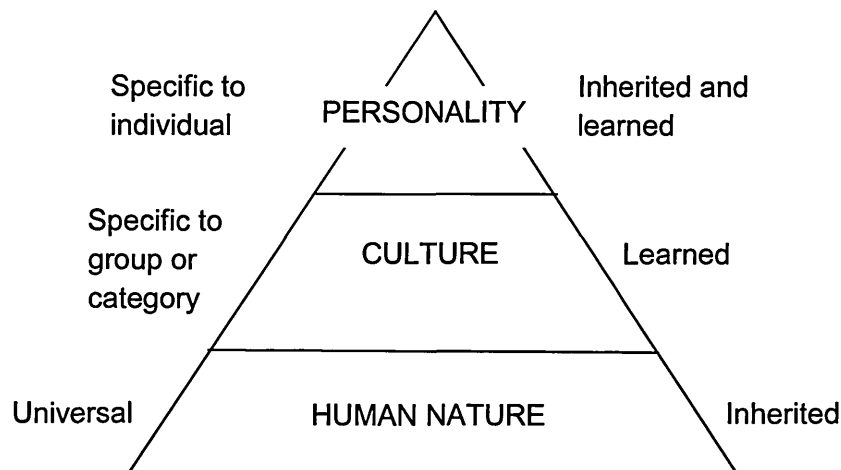
Steers et al. (2010) concluded in defining culture that: (1) culture is shared by members of a group and indeed sometimes defines the membership of the group itself, (2) Culture is learned through membership in a group or community. It is learned from elders, teachers, officials, experiences, and society in general. (3) Culture influences the attitudes and behaviours of group members. Cultural training and socialisation is the root for our natural beliefs, values, and patterns of social behaviour. Culture tells us what is acceptable and unacceptable behaviour, attractive and unattractive. It influences our normative behaviour or how we think those around us expect us to behave.

The context of culture should be understood in order to understand organisations' process and also the people involved. Schein (2004, p17) defines that, "the culture of a group as a pattern of shared basic assumptions that was learned by a group as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems". The relations, the behaviours and the actions of a person or group of people within an organisation and their reactions towards strategies and challenges are one of the concerns in this study. Therefore, the following section explores the characteristics of culture.

### 2.5.1 The Organisational Culture Characteristics

Culture should be differentiated from human nature on one side and from an individual's character on the other. Culture is learned, not inherited. It derives from one's social environment, not from one's genes. Human nature is what all human beings have in common. It represents the universal level in one's mental software. It is inherited with one's genes. On the other hand, personality is his/her unique personal set of mental programmes which (s)he does not share with any other human being (Hofstede, 1997). Culture implies some level of structural stability in the group. It is the deepest, often unconscious part of a group and it is thus less tangible and less visible. Hofstede (1997) argues that people hold several layers of mental programming within themselves, corresponding to different levels of culture, as everyone belongs to a number of different groups and categories of people at the same time. Hofstede explains the levels of human mental programming and the following figure (2.7) shows the level of mental programming of human nature, culture and personality and how they are differentiated.

**Figure 2.7:** Three levels of uniqueness in human mental programming



**Source:** Hofstede, (1997, p6), Cultures and Organisations: Software of the mind

Hofstede (1991) defines organisational culture as the collective programming of the mind which differentiates the members of one group or category of people from another. Alvesson and Sveningsson (2008, p35) argue that, "organisational culture can be difficult to get a grip on; it does not lend its self to measurement. Understanding also requires a certain degree of imagination and

creativity. Dimensions of cultural analysis focus on lived experiences, implying a focus on people, relations, meaning and emotions, while things like systems and structures are seen as secondary". Hofstede et al. (1990) and Hofstede (1997) argue that most authors will probably agree on the following characteristics of the organisational/corporate culture, that it is:

- ⊙ Holistic: referring to a whole which is more than the sum of its parts.
- ⊙ Historically determined: reflecting the history of the organisation.
- ⊙ Related to the things anthropologists study: like rituals and symbols.
- ⊙ Socially constructed: created and preserved by the group of people who together form the organisation.
- ⊙ Soft: it is genuinely qualitative and does not lend itself to easy measurement and classification.
- ⊙ Difficult to change: although authors disagree on how difficult.

Organisational culture as a concept is important for a deeper understanding of meaning and assumptions that lie behind and guide behaviour in organisations. It is commonly expressed in language, stories, myths and other forms of artefacts that are suggestive of deeply held meaning and beliefs. Organisational culture in some instances is considered as beyond managerial control so it is seen as very difficult to change where it is different from everyday reframing. Furthermore, moving beyond the behavioural level and espoused level and digging deeper in to the meaning construction among organisational members, is the idea with a cultural analysis. This meaning creation is sometimes ruled by assumptions that are not easily accessed but are nevertheless significant for how people act in organisations (Alvesson and Sveningsson, 2008).

Steers et al. (2010) argue that with the effectiveness of a global economy with the pressures of globalisation and to prevent managers from repeating the intercultural and strategic mistakes made by so many of their predecessor, managers need to develop some degree of multicultural competency as a tool to guide their social interactions and business decisions. However, Bond (2002) cited in Minkov and Hofstede (2011) views that researchers had long been held in thrall by Hofstede's intellectual achievement. Both Minkov and Hofstede (2011, p12) take into account Hofstede's dimensions of national culture "were constructed at the national level. They were underpinned by variables that

correlated across nations, not across individuals or organisations. In fact, his dimensions are meaningless as descriptors of individuals or as predictors of individual differences because the variables that define them do not correlate meaningfully across individuals. For organisational culture, entirely different dimensions were found as well. Yet, despite Hofstede's repeated warnings that his dimensions do not make sense at the individual or organisational level, articles that attempt to use them for these purposes appear periodically in various journals". Therefore, it would be interesting to explore organisational culture as a critical factor in organisational competitiveness.

### **2.5.2 Culture as Key Factor in Organisational Innovation**

Organisational culture is assumed as a critical factor in organisational competitiveness. Innovation Culture is a significant key of innovation. Adoption of positive cultural characteristics provides the organisation with necessary ingredients to innovate. Culture has multiple elements which can serve to enhance or inhibit the tendency to innovate (Ahmed, 1998).

Dooley et al. (2003, p 425) argue that, "a strong, creativity-oriented culture greatly enhances the prosperity of innovation. Cultural aspects favourable to innovation include openness and sharing, teamwork, motivating and engaging people and embedding knowledge management activities in the day-to-day business processes, internal systems and structures." Humphreys et al. (2005) concluded that in order to keep pace with innovation, culture development needs constant attention and careful maintenance. Stamm (2009, p13) suggests successful innovation "relies on supportive values and behaviours, and as it is about these values and behaviours being consistent over time". Hence, the support and the freedom given and the participation of the stakeholders as well as the interaction among them would influence the survival of companies. Schein (2010) suggests the culture, and the understanding of the dynamics of it, can help to explain and lead to less confusion, irritation, and anxiety when you encounter unfamiliar behaviour of people in organisations. A better understanding of organisational culture can improve understanding of the companies capabilities needed to compete successfully. In this context, the organisational culture of the selected companies was appropriate to be studied.

### 2.5.3. Typologies of Organisational Culture

Organisations are the ultimate result of people doing things together for common purpose. The most fundamental cultural dimension around which to build a typology is the basic relationship between the individual and the organisation to provide critical categories for analysing assumptions about authority and intimacy (Schein, 2010). The typologies of organisational culture give another angle to the issue of organisational culture and how it is perceived among individuals as well as organisations. Etzioni (1975) cited in (Schein, 2010, p163) gives his general theory of the distinction between three types of organisations that exist in every society:

- ◎ **Coercive Organisations:** The individual is enforced by physical or economic reasons and must therefore obey whatever rules are imposed by the authorities. For example prisons, military academies, mental hospital, religious training organisations, prisoner of war camps, and cults. In such organisations culture always generate strong counter-cultures among the individuals against the arbitrary authority.
  
- ◎ **Utilitarian Organisations:** The individual offers "a fair day's work for a fair day's pay". Therefore individuals make sure that they follow whatever rules are necessary for the performance of the organisation. In such organisations countercultural norms are developed so that employees can defend themselves from exploitation by the authority.
  
- ◎ **Normative Organisations:** The individual participates with his or her commitment and accepts legitimate authority because the goals of the organisation are basically the same as the individual's goals. For example, organisations are such as churches, political parties, voluntary organisations, hospitals and schools.

Authority in the coercive organisation is arbitrary and absolute. In the utilitarian organisation, authority is a negotiated relationship whereas in normative organisation authority is more informal and the freedom for individuals to participate or exit is guaranteed if (s)he is not satisfied with the treatment received (Schein, 2010). In terms of typologies of corporate character and



culture, trying to capture cultural real meaning Harrison (1979) cited in Schein (2010) introduces four types:

- ⊙ **Power Oriented:** Organisations dominated by charismatic/autocratic founders.
- ⊙ **Achievement Oriented:** Organisations dominated by task results.
- ⊙ **Role Oriented:** Public bureaucracies.
- ⊙ **Support Oriented:** Non-profit or religious organisations.

Cameron and Quinn (1999, 2006) cited in Schein (2010) also develop a four category typology which is based on the theoretical idea that the poles of any given dimension are in conflict with each other and the cultural solution is how to reconcile them.

**Figure 2.8:** A typology of organisational cultures

	Oriented towards change		
Internal focus	The clan or the family: Staff orientation, human relations: Personal and warm Caring Loyalty and tradition Cohesiveness and morale Equality and group orientation	Adhocracy and open system: Innovations and entrepreneurship: Dynamic and risk oriented Innovation & development Growth and resource acquirement	External focus
	Hierarchical: Process: Rules procedures and efficiency: Formalised and structured Rule oriented Standards and procedures Stability	The Market Culture: Rationality, rational models and market: fulfilment of goals and market orientation: Production oriented Pursue goals and objectives Task oriented Competition and results	
	Oriented towards stability		

**Source:** A typology of organisational cultures after Quinn and Cameron cited in Pors, N. O, (2008, p 142.)

- ⊙ **Hierarchy:** Internal focus and stable; structured, well-coordinated.
- ⊙ **Clan:** Internal focus and flexible; collaborative, friendly, family like.
- ⊙ **Market:** External focus and stable; competitive, results oriented.
- ⊙ **Adhocracy:** External focus and flexible; innovative, dynamic, entrepreneurial.

On the other hand, the key to success in today's market and in enhancing the level of performance for organisations could be the creation of a healthy culture of innovation and learning. Senge (1990) argues that one of the crucial elements is a shared vision that changes people's relationship with the company and allows them to work together. It creates common identity and establishes the most basic level of commonality. Each organisation has its own culture where they operate accordingly.

Cameron and Quinn (2006) view that the hierarchy culture which is based on the work of the German sociologist Max Weber who studied a number of government organisations in Europe proposing seven characteristics of bureaucracy: rules, specialisation, meritocracy, hierarchy, separate ownership, impersonality, and accountability. These were adopted by organisations whose challenge was to produce efficient, reliable, and predictable output. A stable environment allowed this to be the key to any success in 1960s (Cameron and Quinn, 2006).

On the other hand, Mohamed et al. (2004, p129) suggest that, "traditional organisation with heavy internal competition, rigid functional silos and undue compartmentalisation may generate critical barriers that isolate various departments into disconnected islands with little beneficial communication between them. Such hierarchical organisation slow down change, lengthen the decision making process and imprison innovation". Mohamed et al. (2004) added that an organisations structure is crucial to how it deals with knowledge and strategically manages it towards competitiveness.

The market culture, where an organisation functions as a market themselves are oriented toward the external environment, and concentrates on transactions with mainly external constituencies such as suppliers, customers, contractors, licensees, unions and regulators. Furthermore, the core values that dominate are competitiveness and productivity, with a strong emphasis on external positioning, control and aggressive strategies to gain success (Cameron and Quinn, 2006).

The basic assumptions of the clan culture are that the major mission of the organisation is to allow employees to act freely and facilitate their involvement,

commitment and loyalty. Moreover, the environment can best be managed through teamwork and employee development and also customers are always thought of as partners (Cameron and Quinn, 2006).

In the adhocracy culture, the major task of the organisation is to cultivate entrepreneurship, creativity and activity on the cutting edge. Adhocracies do not have centralised power or authority relationships. As an alternative, power flows from an individual to another or from task team to task team depending on what problem is being addressed at the time. The underlying operational theory is that innovation and new ideas create new markets, new customers and new opportunities (Cameron and Quinn, 2006).

Francis and Mazany (1996) cited in Mohamed et al. (2004) contend that developing the necessary structure is the first move to building up a learning organisation that can help those within the organisation and the organisation itself. Thus, it would be interesting to explore if organisations need to develop a wide or new range of knowledge, skills and characteristics which will help them learn and change. Hence, structure is another issue which could also be important, not just to see where everybody is in the organisation but to consider whether people are held rigid by the structure and as a result, not be able to innovate. In this context flexibility could be a key to fostering the right culture.

The goals and orientation of an organisation can therefore determine what kind of culture the organisation has and the meaning of the relationships that they develop between individuals and authority. It will be interesting to see from this research what kind of culture the studied companies have and which cultural typology is helping to gain a sustainable competitive advantage and guarantee full support of all stakeholders to create an innovative organisational culture.

Tushman and Anderson (2004) affirm that, more solutions will be generated if people are given more freedom to express ideas without fear of revenge from other members of their group. One of the important elements in being competitive in the marketplace is to create organisational culture that supports the competitiveness of the organisation. Jaruzelski et al. (2011) argue that to possess a huge advantage, companies need to make their strategic goals clear and their culture should strongly support those goals. Therefore, concentrating

on the employees and educating them in that way is a beneficial method towards the creation of innovation and competitiveness. In this way, it would be interesting to explore the role of the organisational culture in organisational competitiveness and innovation. Organisations need to foster the right culture that can guide them to gain the competitive advantage. However, changing a culture is a difficult task that needs huge effort as well as participation of all members of the organisation to avoid any hinder and resistance. In addition, identifying the vision and also clarifying what is needed and what is not is essential towards any change.

In terms of exploring cultures, Minkov and Hofstede (2011, p17) said, "there is no best way of constructing dimensions, be they cultural, psychological, organisational or other. Different approaches to data collection and data analysis will yield different dimensions. Asking which of them are true or right in an absolute sense is a meaningless question. The correct question is how coherent these dimensions are (they should be easily understood by the consumers of social science) and of what use they could be (they should predict and explain interesting and important phenomena)".

Sullivan and Dooley (2009, p235) confirm that, "innovation leaders foster a culture of innovation that encourages appropriate risk taking, welcomes new ideas, share information openly, and recognises the contribution of individuals. Conflict provides a creative friction between individuals but must be managed carefully so that it remains positive. Innovation leaders are equipped with the skills to manage conflict; these include facilitation and task management". Jaruzelski et al. (2011) state that according to the results of the Global Innovation 1000 study in 2011, only about half of all companies said that their corporate culture supported their innovation strategy. In addition, the same percentage said their innovation strategy was inadequately aligned with their overall corporate strategy. "Ongoing cultural transformation, including the development of leadership skills at all organisational levels, is critical for sustaining a long-term competitive advantage" (Office of Secretary of Defense/Office of Force Transformation, 2004) cited in DiLiello and Houghton, (2006).

Clark (1995, p226) argues that, "it is now a commonplace to criticise a decisionist model of strategy which regards strategic innovation as the outcome of single-event decisions by top managers, a linear process in which strategy formulation is followed sequentially by strategy implementation. More recent studies have suggested that strategy is a multi-layered phenomena, an emergent property embedded in organisation culture and evolving incrementally out of the ideas and actions of people at many different points in the organisation structure". Sarros et al. (2011) states that because culture needs enormous energy and commitment to achieve outcomes, in many instances, the type of leadership required to change culture is transformational. Suppiah and Sandhu (2011, p464) state that "although it is acknowledged that there are inherent benefits to knowledge sharing, people are reluctant to share". Carlström and Ekman (2012) found that flat hierarchal structures and social competence contribute to a decreasing tendency to resist change. Suppiah and Sandhu (2011, p473) argue that "among all the culture types, organisations with a dominant hierarchy culture have the most unenviable position in developing tacit knowledge sharing behaviour".

Riivari et al. (2012) confirm that the most innovative organisations will be those which can deal constructively with risk. Furthermore, they support the idea that the importance of the support from management is crucial to both organisational innovativeness and the ethical culture of an organisation. Ahmed (1998, p43) argues that, "without doubt the most innovative companies of the future will be dominated by those that do not simply focus energies upon product and technical innovation, but those who have managed to build enduring environments of human communities striving towards innovation through the creation of appropriate cultures and climate. This will be the energy of renewal and the drive to a successful future". Companies should follow the most successful innovators in ensuring that the company's culture not only supports innovation, but actually accelerates its execution (Jaruzelski et al., 2011). Cadden et al. (2013) highlighted that to achieve, sustain and maximise competitive advantage organisations need to accommodate a variety of cultural orientations.

It seems from the literature that creating the culture that can motivate people by letting them participate in the decision making process, could add mutual benefits and also contribute to the innovativeness of organisations. This made it interesting to explore how it can assist in making employees more productive and innovative. In other words, how does creating the right climate and the perceived importance of people in an organisation and their satisfaction with it, contribute to the success of organisations? Does giving more freedom and empowering people strengthen the position of organisation and contribute to the unity of people working within that organisation?

Generally leadership is implemented on three different levels (Mintzberg, 1998). In most organisations, these levels are separate and easily identifiable. At the individual level, leaders mentor, coach, and motivate; at the group level, they build teams and resolve disagreements; at the organisational level leaders build culture. Organisations that have a poor alignment culture can stifle and hinder innovations, reducing the likelihood of success. These organisations will need to work on changing their culture to a more supportive one. New ideas will be successful only if the organisational culture allows them to grow and prosper. Furthermore, one of the key roles of a leader is to establish an organisational environment that nurtures innovation (Sullivan and Dooley, 2009). It is apparent that without a good knowledge of cultural beliefs, values, traditions and customs, managers are left to take their chances in a new, ambiguous and sometimes threatening environment. Thus, there is a need to know which practices or behaviours will create barriers to conducting business and which will open a road to partnership (Steers et al., 2010). Sarros et al. (2011) argue that organisational culture can influence inter-organisational relations. Moreover, as suggested earlier, relationships and collaboration as relationship management is another issue which influences organisational competitiveness and innovation. Therefore, in the following section relationships and collaboration will be explored.

## **2.6. The Importance of Relationships and Collaboration**

Relationships and collaboration is considered as another issue that might affect organisational competitiveness and innovation. Networks are defined as collaborative preparations established through the interactions between actors

embedded in a social context (Sydow and Windeler, 2003) cited in (Jørgensen and Ulhøi, 2010).

The necessity for small companies to collaborate to compensate for their limited internal resources has dominated much of the academic and policy debate on regional development and small company innovation throughout the late 1980s and 1990s (Freel, 2000). Lee et al. (2010) argue that collaboration between companies is increasingly considered as an important factor for success. As technology becomes more composite, it is increasingly difficult for companies, particularly small companies, to have in-house the entire resources essential to develop new technology-based products (Ledwith and Coughlan, 2005).

As part of the UK based SPRU survey, innovation was introduced between 1945 and 1983 (Rothwell, 1991). Elsevier (1987) states that data was collected on the sources of major technological innovation-initiating inputs to 2200 of the sampled innovations. In the case of small companies (employment below 200), between 1945 and 1969 the average percentage of initiating inputs from external sources was 17; during the period 1970-1979 this had risen to 32. While small companies obtained an average of 7% of their external ideas from other companies, during the first period, this had increased to 25% during the later period. *This section is taken from: M Beesley and R Rothwell, Small company linkages in the United Kingdom. In R Rothwell and J Bessant (Eds), Innovation: Adaptation and Growth, Elsevier, 1987. Cited in (Rothwell, 1991, p102).*

Stamm (2009, p14) argues that, " the greater the number of players, and the greater the number of interactions between the players, the greater the number of outcomes that you can get". Moreover, "collaboration with different enterprises results in lowering the costs and risks of innovation as well as sharing scientific and technical knowledge" (European Commission, 2000 cited in Ledwith and Coughlan, 2005, p366). The SMEs ability to utilise external networks more efficiently is the basis for the SMEs' success in comparison to their larger competitors (Rothwell and Dodgson, 1994) cited in (Lee et al., 2010). Rothwell (1991) confirms that successful innovative companies generally are well 'plugged in' to the marketplace and to external sources of technological know-how and advice. In driving innovation processes, inter-organisational

relationships between public research organisations and industry play an important role in contexts of open and networked innovation (Perkmann and Walsh, 2007). The question raised here is, "Are there any factors that would affect the interaction in collaboration and networking?"

In order to improve their chances of competing against their larger competitors, SMEs usually specialise in a specific area, and involvement in a network may be an effective way to successfully enter wider markets and acquire complementary resources, and of increasing core competencies (Lee et al., 2010). Jarvenpaa (1998) cited in Brown et al. (2004) argues that collaboration would be effective only if both parties enter into it with a willingness to open themselves to one another and cooperate in carrying out a task, solving a problem, and learning. Networking is key ingredient to create the initial trust. Therefore, trust plays an important role in building relationships (Darabi and Clark, 2012). The following section deals with the issue of trust in relationships.

### **2.6.1. Trust in Relationships**

The definition of trust is "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other party will perform a particular action important to the trust or irrespective of the ability to monitor or control that other party" (Mayer et al., 1995) cited in Brown et al. (2004, p117). Network modes of organising result due to: (1) mutual commitment and trust; (2) multidimensional and relatively long-term relationships; (3) normative rather than contractual regulation of behaviour (Ulhøi, 2009) cited in (Jørgensen and Ulhøi, 2010).

Darabi and Clark's (2012) research looks at the relationship between SMEs and business schools in the UK and concluded that the gate to trust building is the relationship management strategy. They further argue that clear objectives of the collaboration are a driver to relationship management and facilitate building trust between parties. Gouldner (1960) cited in (Jørgensen and Ulhøi, 2010, p398) argues that, "trust has long been recognised as a moderator of social behaviour by, for example, reducing opportunistic behaviour and creating joint norms of reciprocity among members of a group or organisation". Brown et al. (2004, p133) view trust in virtual collaboration "is shaped by participants' personality that influences more proximate disposition to trust".



There is little in the literature to suggest how companies develop their capacity through network participation despite that networks can offer SMEs a number of advantages, especially in terms of providing greater opportunities for knowledge activities that support innovation (Jørgensen and Uihøi, 2010). Kesting et al. (2011, p141) state that, "an innovation network can consist of various network partners. These network partners can be other SMEs, academia (i.e., universities and higher research institutions), customers, suppliers, public authorities, industry associations, foundations and others that complement the needs of the individual company or the network as a whole". The actual relationships between universities and industry, rather than generic links, play a stronger role in generating innovations (Perkmann and Walsh, 2007). Networks require significant investment in resources over time, they are more than individual transactions. It can be solid or loose, depending on the quantity, quality and type of the interactions or links. Companies might be able to access the resource of other organisations via direct or indirect relationships, involving different channels of communication and degrees of formalisation (Tidd and Bessant, 2009). For example, Scharfetter et al. (2002) cited in Perkmann and Walsh (2007, p262) group knowledge interaction into four categories:

- ◎ Joint research (including joint publishing).
- ◎ Contract research (including consulting, financing of university research assistants by companies).
- ◎ Mobility (staff movement between universities and companies, joint supervision of students).
- ◎ Training (co-operation in education, training of company staff at universities, lecturing by industry staff).

However, there are limitations in building relationship with large companies. Rothwell (1991) cited in Lee et al. (2010, p292) argues that, "strong ties with larger companies can limit opportunities and alternatives for SMEs, and innovative SMEs are more likely to make external networks with other SMEs or institutions such as universities and private research establishments" The relationship with larger organisations, where SMEs may be required to produce

a cheap product to compete with the large companies, lowers specifications therefore delaying further innovation on the part of the SMEs (Lee et al., 2010). Perkmann and Walsh (2007, p272) argues that, "the contribution of relationships to innovative activities in the commercial sector considerably exceeds the contribution of IP (Intellectual Property) transfer (e.g. licensing). Darabi and Clark (2012) confirm that to build trust in the process of collaboration, the mutual understanding and customisation of the relationship is needed to manage the expectations of SMEs which can invariably increase their confidence in sharing the information. The following table (2.3) shows some reasons for constructing such relationships and making collaborations with other parties in order to manage innovation and as a result enhance an organisation's organisational competitiveness and innovation capability. Tidd and Bessant (2009) present four arguments explaining the benefit and the contribution of networking and collaboration.

**Table 2.3: Why networks**

<b>Why Networks</b>
<p>There are four major argument pushing for greater level of networking in innovation:</p> <ol style="list-style-type: none"> <li data-bbox="358 1006 1364 1264">1. <b>Collective efficiency:</b> in a complex environment requiring a high variety of responses it is hard for all but the largest company to hold these competences in-house. Networking offers a way of getting access to different resources through a shared exchange process- the kind of theme underlying the cluster model, which has proved so successful for small companies in Italy, Spain, and many other countries.</li> <li data-bbox="358 1285 1364 1498">2. <b>Collective learning:</b> networking offers not only the opportunity to share scarce or expensive resources; it can also facilitate a shared learning process in which partners exchange experiences, challenge models and practices, bring new insights and ideas and support shared experimentation. "Learning network" have proved successful vehicles in industrial development in a variety of cases.</li> <li data-bbox="358 1519 1364 1689">3. <b>Collective risk taking:</b> building on the idea of collective activity networking also permits higher levels of risk to be considered than any single participant might be prepared to undertake. This is the rationale behind many pre-competitive consortia around high risk research and development.</li> <li data-bbox="358 1710 1364 1825">4. <b>Intersection of different knowledge sets:</b> networking also allows for different relationships to be built across knowledge frontiers and opens up the participating organisation to new stimuli and experiences.</li> </ol>

**Source:** Tidd and Bessant, *Managing Innovation*, 2009, p283.

A large number of SMEs have some sort of external networks which is important to the development of their business (Rothwell, 1991). Most of the leading companies in the western world are turning towards a new model of innovation, which employs global networks of partners. They can be U.S. chipmakers, Taiwanese engineers, Indian software developers and Chinese factories (Engardio and Einhorn, 2005 cited in Mayle, 2006). As Tidd et al. (2005) argue that, innovation is driven by the ability to see connections, to spot opportunities and to take advantage of them.

It is suggested that the importance of networking and opening up to others would provide opportunities that might not have been seen before. This justifies the move to the fourth and fifth generations mentioned earlier and also the need for companies to form relationships with the stakeholders in today's market.

From the literature reviewed, the most profitable contribution could be obtained from reviewing different areas and different sources. Making the connection would benefit companies to spot opportunities and capture the needed knowledge to manage innovation and to gain sustainable competitive advantage. Opportunities for learning, knowledge sharing and innovation can be provided by collaboration and interaction of SMEs in networks (Powell et al., 1996, Gomes-Casseres, 1997 cited in Kesting, 2011). It is critical for young SMEs focusing on innovation to develop and foster network relationships early on in their evolutionary life cycle (Jørgensen and Ulhøi, 2010). Sullivan and Dooley (2009) confirm that continuous innovation and learning are crucial to help organisations not to repeat mistakes and to improve the ability to exploit future opportunities.

- ⊙ Power has shifted from the research and development function to the marketing function and then to the whole company.
- ⊙ The need to look at the external and internal stakeholders as well as the relationships between innovation and parallel activities.
- ⊙ Innovation now is about networking, integration, culture, communication and management and leadership capabilities.

Effective innovation networks can bring a wide range of advantages beyond the collective knowledge efficiency mentioned in table 2.3 above. For instance these benefits include getting access to different and complementary knowledge sets, reducing risks by sharing them, accessing new markets and technologies and otherwise pooling complementary skills and assets. Therefore, it would be virtually impossible without such networks for the lone inventor to bring his/her ideas successfully to market (Tidd and Bessant, 2009). However, Kesting et al. (2011, p141) argue that, "networks do not necessarily produce joint innovations automatically; rather opportunities for innovation may sprout from the collaboration and knowledge exchange with the network partners." Dervitsiotis (2010, p914) suggests that, "the organisation's lack of good connections with its environment (Customers, suppliers and potential partners in developing desirable innovations) is thus limiting its capability to introduce value adding innovations in new products, new services, better customer support or a more effective business model that would enhance its ability to penetrate new markets." However, in terms of how collaborative relationships perform, there is little evidence that their success rate is improving (Palakshappa and Gordon, 2006). Therefore, exploring the phenomena qualitatively should bring more insights and understanding to the subject.

Due to the size of SMEs and inherent shortages of resources, managing inter-organisational collaboration poses significant challenges to them (Kesting et al., 2011). Ledwith and Coughlan's (2005) study, which is based on data collected from 36 Irish electronics companies and 25 UK electronics companies concluded that networking does not always improve new product achievement or increase it. However, Freel (2003) cited in Ledwith and Coughlan (2005, p367), explores "the relationship between networking with customers, suppliers, competitors, universities, and the public sector, and innovativeness. He found that in the case of product innovation, positive links were only found for companies co-operating with customers and public-sector bodies. Internal resources (research and development expenditure) and employment of technicians were found to be a much stronger determinant of product innovativeness." Inauen and Schenker-Wicki (2011) argue that companies with a higher openness towards customers and universities are more likely to increase product innovations, furthermore, the more open the outside-in

process towards suppliers, competitors and universities the more process innovation results will be. Palakshappa and Gordon's (2006) empirical evidence suggest that formal agreements in collaborative relationships are more likely to achieve their objective. They further argue that formal agreement helps create a shared understanding and shared expectations, and this shared understanding reduces the likelihood of conflict and increases the likelihood of positive resolution in conflicts. Is this the case with SMEs in South Yorkshire or "is it a different story"?

In summary, power has shifted from research and development to more external and internal relationships, networking, integration, culture, communication and management and leadership capabilities. Inauen and Schenker-Wicki (2011, p509) confirm that, "for companies in all sectors, an overemphasis on internal sources can lead to competitive disadvantages and an increased probability of missing opportunities". Darabi and Clark (2012) argue that there is a need to for a mechanism to take the pain out of the bureaucratic system to make the relationship smoother for SMEs. As discussed earlier, that there are signs for optimism that organisational innovation could be managed in order to enhance the organisational competitiveness. Moreover, the role of relationships plays a key role in organisational competitiveness and innovation as well as the importance of trust in forming such relations and gaining mutual benefits. In this case, after exploring the related main themes to phenomena of innovation which are the focus of this study, the question here is "How do companies exploit these capabilities to enhance their competitiveness and innovativeness?"

## **2.7. Summary & Conclusion**

The aim of this chapter was to bring more insights and understanding of organisational competitiveness and innovation and the parameters that might influence companies' competitiveness and innovativeness. In part I of this chapter, internal factors such as competition, environment and market trends which might influence an organisation's performance in being competitive and innovative were evaluated. The nature of how organisations compete and innovate and the generational model they adopt to compete and innovate was also explored. In the second and the third parts of this chapter, the variety of

stages and strategies that affect the innovation process were explored. Specifically, the importance of leadership management, organisational culture, relationships and collaboration were investigated. However, the author felt that whilst previous research was interesting it did not fully explain the nature of innovation and its relationship to the ability of a company to achieve a sustainable competitive advantage. It is for this reason that the author wished to put extant literature to one side and take a fresh look at innovation from the perspective of companies that had a successful innovative culture and had achieved sustainable growth through a strong track record of innovation.

However, the literature review (see figure 2.9) highlighted three themes relevant to competitiveness and innovation that informed the research strategy. The themes are as follows: organisational leadership, organisational structure and culture and organisational relationships and collaboration.

Figure 2.9: The research themes

Organisational  
leadership

Organisational  
culture &  
Structure

Organisational  
Relationship &  
Collaboration

In the data analysis chapters insights and a deeper exploration of these themes are examined from the participants' perspective in order to enrich our understanding of the organisational competitiveness and innovation. The holistic approach taken provides greater clarity and the development of more insights into these three themes. Bennis and Nanus (1997, p10) argue that, "traditional information sources and management techniques have become less effective or obsolete. Linear information, linear thinking and incremental

strategies are no match for the turbulence of today's business climate." Therefore in this study the author tried to understand the interactions of these factors and take a more holistic approach to studying organisational competitiveness and innovation capabilities. From Chesbrough's term of open innovation, the increase pressure of competition, and globalisation, it is believed that new ideas cannot rely on just research and development, intellectual people, or scientists. In this complex market environment the contribution to innovativeness and competitiveness of any company could come from all directions as well as the generation of new ideas considering the issue of implementation. Therefore, exploring all the factors influencing organisational competitiveness and innovation has helped to develop a richer, more holistic picture. This qualitative approach was used to provide more insights in the subject of organisational competitiveness and innovation. The next chapter examines research methodology used in this study.

## **Chapter 3: Research Methodology**

### **3.0. Introduction**

This chapter examines potential research methods, justifies the approach taken and explains the research strategy pursued. The main aim of the chapter is to explain the ontological and epistemological stances and research approach. The research methodology reflects the type of evidence gathered and the kind of reality it is intended to represent (Hannabuss, 1996). Therefore it is good to consider it early in the process. The aim of this research study is to explore organisational capabilities that influence organisational competitiveness and innovation. In Chapter 2 some authors emphasised the need for a holistic approach to understand organisational competitiveness and innovation (Bennis and Nanus, 1997, Ashar & Lane-Maher, 2004, Sullivan and Dooley, 2009). To determine the competitive position of an organisation in a measurable form, there is a need for a holistic definition of competitiveness (Feurer and Cheharbaghi, 1994). The link between competitive advantage and organisational competitiveness was explained in Chapter 1. As discussed in Chapter 2, a number of themes influence organisational competitiveness and innovation. Thus, it was proposed that to understand the nature of the phenomena of organisational competitiveness and innovation, an exploratory holistic approach is needed in order to analyse the subject qualitatively.

This thesis did not adopt a deductive approach but in this chapter both deductive and inductive approaches will be examined and evaluated for appropriateness. The justification of the selection of the companies studied is defined. This chapter explains and justifies how the data was analysed and the narrative ecology approach used to write up the data analysis. Therefore, the themes in this study are explored inductively using narrative approach to represent the data. Narratives and stories are a form of discourse that is known and used in everyday interaction, the story is an obvious way for social actors, in talking to strangers (for example, the author) to retell key experiences and events (Coffey and Atkinson, 1996). They further confirm that the analysis of narrative can provide a critical way of examining not only key actors and events but also cultural conventions and social norms.



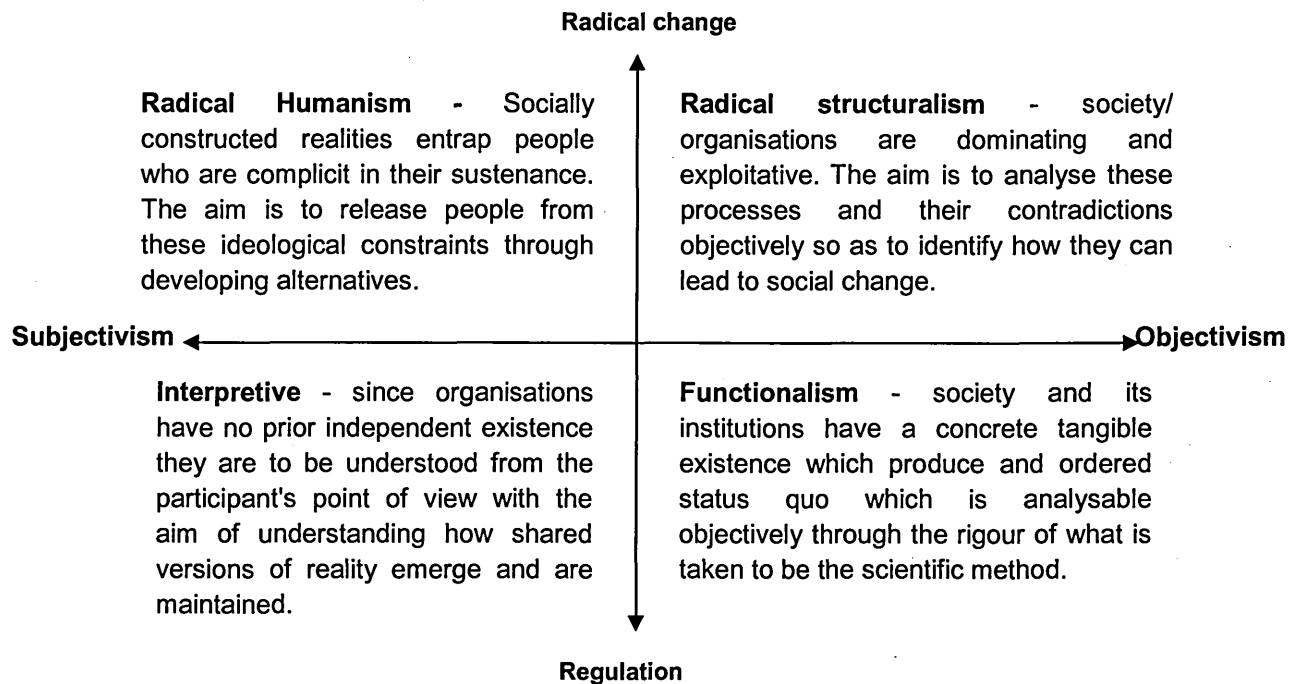
### 3.1. Research Philosophy

The research philosophy for this study is interpretivism, which looks for insights and draws the picture of reality. Therefore, this study seeks to interpret the situation and understand it from the participants' point of view. The interpretive ontological assumptions of organisational competitiveness and innovation are that they rely on stakeholders' experienced realities, beliefs and values to interpret their existence. The ontological assumptions concentrate on the nature of reality and are about how reality is constructed and represented in human consciousness (Pittaway, 2005).

The interpretive epistemological assumption of organisational competitiveness and innovation in this study could be constructed from the stakeholders' point of views. The epistemological assumptions are about how people understand and conceptualise the world around them, making assumptions about what constitutes knowledge, how it might be constructed and appropriately communicated (Pittaway 2005). Doyle (1998) argues that people with their complete commitment, skills and initiative can be the way to core competence and competitive advantage. Therefore, the interpretation of their experiences, attitudes and beliefs can be good sources of generating useful findings.

Pittaway (2005) uses the term paradigm to define different forms of social science demonstrating fundamentally different philosophical orientations. Moreover, the types of contributions researchers will arrive at are inevitably influenced by the choice of paradigm (Kapoulas and Mitic, 2012). In terms of paradigms, the study followed Burrell and Morgan's paradigms to explain in more details the philosophy that will be appropriate for this study and also support the selection of the research approach. Burrell and Morgan's figure below (Figure 3.1) helps to explain the complexities of organisational enquiry and raised awareness about the influence of a research paradigm on knowledge construction. Furthermore, it highlights the role of philosophies in research endeavour (Burrell and Morgan, 1979) cited in (Pittaway, 2005). Figure 3.1 below is used to explain the paradigmatic stance taken in this study.

**Figure 3.1: Burrell and Morgan's paradigms**



Source: (Johnson and Duberley, 2000, p80)

According to Burrell and Morgan the Radical Humanist paradigm concentrates on forms of obstacles, such as ideology, power, psychological compulsions and social constraints. Consequently, it searches for ways to overcome them and it seeks radical change, emancipation and potentiality emphasising the role that different social and organisational forces play in understanding change. On the other hand, the Radical Structuralist paradigm concentrates on the structure and the analysis of economic power relationships. It stresses the need to go beyond the limitations placed on existing social and organisational arrangements in society and organisations. The Interpretivist paradigm seeks explanation and understanding from the realm of individual consciousness and subjectivity and the Functionalist paradigm focuses on explanations of the status quo, social order, social integration, consensus, need satisfaction, and rational choice. It seeks to explain how the individual elements of a social systems interact together to form an integrated whole (Goles and Hirschheim, 2000).

Johnson and Duberley (2000, p83) argue that, "the immediate message from Morgan's work is that reality is always experienced subjectively through the lens of particular paradigm". It can be concluded from (figure 3.1) that the Radical

Humanist paradigm is to release people from ideological constraints with providing alternatives to them as an answer to enhance and free their knowledge towards alternative thinking towards any change. From the Structuralist paradigm prospective, the aim is to analyse society and organisations' processes and their contradictions objectively and how they can lead to social change. The Functionalist paradigm seeks to explain objectively how the individual elements of social systems interact together through what is taken to be the scientific method. The Interpretivist paradigm encourages the understanding and interpretation of people's understanding and subjectivity of any subject from the social actors because as individuals we are a part of this society and organisations (Johnson and Duberley, 2000).

This research therefore took an interpretivist approach. In this context, the research questions were explored and understood from the participants' point of view with the aim of understanding how their shared versions of reality emerged and were maintained to help explain the phenomena of organisational competitiveness and innovation.

Goulding (2005, p14) argues that, "the issue of how theoretical ideas are generated remains largely outside of the realm of scientific methods, with the emphasis placed on testing and measuring existing theories. From a positivistic prospective, only through the physical or statistical control of variables and their rigorous measurement is science able to produce a body of knowledge whose validity is conclusive, replacing the myths and doctrine of common sense". In gaining knowledge, there are no final or universal truths, only theories that can be assessed using a variety of logical and evidentiary criteria, and subject to modification or replacement at any time (Willower and Uline, 2001). Humanists or interpretive researchers argue that positivism in the social sciences is pseudo-scientific, rigid, narrow-minded, mechanistic, outdated and limited to the realm of testing existing theories and the expense of new theory development (Goulding, 2005). Goulding (2005) further argues that, however, many arguments here are based on misconceptions, misinterpretations and a certain degree of mistrust regarding the nature and philosophies of the other.

Ödman (1979) cited in Gummesson (2000, p70) comments that, "in scientific theory, reference is made to the *hermeneutic circle* that can be illustrated by the

following statements: 'no understanding without pre-understanding' and an understanding of the parts assumes an understanding of the whole. The hermeneutic circle more accurately ought to be called the hermeneutic spiral. It is assumed that the truth is fuzzy goal to reach and critical. However, it is not impossible to reach justifiable results. In this sense, there is no universal law or defined path to follow to reach the truth. Furthermore, ongoing pre-understanding process of hermeneutic circle development in exploration is desirable, since all discoveries are human creation". Therefore, the author started exploring the phenomena studied by the evaluation of the exiting literature which can be described as a spiral process of exploration.

Even though there is an increased acceptance of qualitative methods, the popularity of quantitative approaches in management research should not be undervalued (Johnson and Duberley, 2000). The following section explores interpretivist thoughts based on the literature and states the justification of the selection of this position in undertaking this study. Mingers (2006) summarises that, while we can accept that human knowledge is always limited by our awareness and experience, it does not mean that the world itself is so limited, this is an epistemic misleading notion. Mingers (2006) added that science is not necessary about finding out universal law, simply predictive ability or the simple description of meanings and beliefs. Rather it is centrally concerned with explanation, understanding and interpretation.

To summarise, the ontological philosophy was inductively building a picture of organisational competitiveness and innovation of the selected companies which were understood from the participants' point of view. Thus, the approach of this study was inductive using an interpretivist paradigm philosophy.

### **3.1.1 Interpretivism**

Interpretivism is defined as understanding the meaning of a set of actions to an actor through some form of contact with how they experience their experience (Johnson and Duberley, 2000). In this study the understanding process of the phenomena is through interpreting what the participated stakeholders experienced. For instance, in marketing studies interpretivist approaches contributed to gaining better understanding of the phenomena in building new theories and knowledge (Kapoulas and Mitic, 2012). In the twentieth-century among academics, qualitative methodology and an interpretive stance increasingly gained popularity, leading to a question as to whether a paradigm shift was occurring on a larger scale, i.e. that of whether the interpretivist approach was going to replace positivism as the dominant paradigm in marketing studies (Hunt, 1994, Hogg and Maclaran, 2008) cited in Kapoulas and Mitic (2012).

Ngwenyama and Lee (1997) cited in Mingers (2006) suggest that interpretive research is very critical of positivism and statistical analysis in particular, because the social world is naturally different to the material world and a human social construction is not able to be measured in statistical models. Johnson and Duberley, 2000, p34) also believe that, "anti-positivist claims have a very practical significance for researchers since they demand an inductive approach to gathering data about the constellations of norms beliefs and values (i.e. culture) that influence actors' sense-making activities and thereby legitimate and explain the particular courses of social action they adopt". The interpretivist approach's strength and power lies in its ability to address the complexity and meaning (consumption) situation (Black, 2006). Its data is rich and holistic and it has been advocated as the best strategy for discovery, exploring a new area and developing hypotheses (Miles and Huberman, 1994). On the other hand, some commentators have argued that the results of qualitative research may be of more relevance and interest to management practitioners than those of conventional methods. It is the role of the interpretivist to seek to understand the biased reality of those that they study in order to be able to understand their motives, actions and intentions in a way that is meaningful for these research participants (Saunders et al., 2003).

However, it would seem that despite the "coming of age" of interpretivist research (Prasad and Prasad, 2002) cited in Cassel et al. (2006), there are still a number of challenges that qualitative researchers face in promoting their work (Cassel et al., 2006). Patten (2005) states unless the author has funding for the research, qualitative data collection methods are often more expensive and time consuming than quantitative data collection methods. Interpretive research involves the interaction of the individuals with themselves, family, society and culture which makes it extremely complex (Black, 2006).

The challenge qualitative researchers always encounter when making their findings presentable to audiences is the effort to compress massive volumes of qualitative data into few lines of text that must be illustrative, descriptive, explanatory and theory-inducing (Black, 2006) cited in Kapoulas and Mitic (2012). Another challenge is the reliability of the results, there is increasing acknowledgment in academic researchers, of the need for the application of qualitative methodologies in their truest and most fundamental sense in order to gain valid insights, develop theory and effective decision making (Goulding, 2005). However, DeRuyter and Scholl (1998) cited in Kapoulas and Mitic (2012) argue that through a systematic operation at the level of research design the reliability of qualitative research can be ensured. Black (2006, p320) argues that, "beyond subjectivity the interpretive paradigm is one that thrives upon subtlety, it is one where hidden and important meaning is buried with superficially inconsequential inflections of voice, body language or situational details". Sandelowski (1998) cited in Black (2006, p323) confirms that qualitative researchers should be able to "select from an array of representational styles and formats, those that best fit their research purposes, methods, and data".

### **3.2. Research Methodology**

The inductive approach is a theory building process, it starts with observation of specific instances and seeks to establish generalisations about the phenomena under investigation. A deductive approach is where you develop a theory and hypothesis (or hypotheses) and design a research strategy to test a theory. (Saunders et al., 2003, Hyde, 2000).

It was believed that the objective of this research could be best achieved through analysing the phenomena inductively, searching for meaning and interpreting the knowledge that could be gathered from the participants of this study. This study followed the inductive approach where the development of a theory is grounded in the data analysis. Glaser and Strauss (1967) cited in Hyde (2000) view the traditional qualitative study is one in which the findings are grounded in the data.

Robson (2002, p27) states that, "constructivist researchers, as heirs to the relativist tradition, have grave difficulties with the notion of an objective reality which can be known. They consider that the task of the author is to understand the multiple social constructions of meaning and knowledge. Hence they tend to use research methods such as interviews and observation which allow them to acquire multiple perspectives. The research participants are viewed as helping to construct the 'reality' with the author. And, because there are multiple realities, the research question cannot be fully established in advance of this process". Thus inductive qualitative research is undertaken through exploring managers' experiences, attitudes and beliefs as well as analysing the data which will be the formulation of a theory grounded on the data. Annells (1996) cited in Goulding (2005) sums up the process of choosing a methodology that the method can best be viewed as arising from the basic philosophical beliefs about enquiry as held by the author. In this context, the research question is somewhat dependent on the worldview of the author. Although the research focus may emerge from a variety of sources, the actual information of the question arises from the author's notions about the nature of reality, the relationship between the knower and what can be known, and how best to discover reality.

"It is fair to say that qualitative research is no longer viewed as merely 'speculative' or 'soft', as was generally held to be the case by many in the past Goulding (2005, p294)". The results of qualitative research are presented as discussions of trend and/or themes based on words not statistics, whereas in quantitative research, the results are presented as quantities or numbers (Patten, 2005). However, it is necessary for qualitative researcher to make detailed explanation and interpretations of data that can hold a myriad of meaning (Black, 2006).

King and Horrocks (2010, p7) suggest quantitative data is "concerned with measurement, precisely and accurately capturing aspects of the social world that are then expressed in numbers percentages, probability values, variance ratios, .etc. Measurement, a term loosely employed here, is approached differently by qualitative researchers. The aim is still to capture aspects of the social world but this is done in numerous ways that do not rely on numbers as the unit of analysis. Using the term 'qualitative interviewing' which situates the methodology deliberately within the qualitative domain where a broad and holistic approach is taken to the study of social phenomena ".

The key distinction between quantitative and qualitative is the role of quantitative enquiry to describe the general and to ignore the particular, while qualitative enquiry seeks to explain the particular (Hyde, 2000). The major feature of qualitative researchers is that they concentrate on naturally occurring, ordinary events in natural settings, so we have a strong understanding of what real life is like. Furthermore, confidence is supported by local groundedness, that is the fact that data was gathered in close proximity to a specific situation, rather than through the mail, or over the phone. Another feature of qualitative data is its richness and holism, with a strong possibility for enlightening complexity. As the data is typically collected over a sustained period it makes it powerful for analysing any process and the inherent flexibility of qualitative studies gives further confidence to understand what has been going on. Qualitative data, with its emphasis on people's lived experience is fundamentally well suited for locating the meanings people place on events. Qualitative data is the best strategy for discovery, exploring a new area, and developing hypotheses (Miles and Huberman, 1994). A qualitative approach was adopted to undertake this study and to gain an understanding of the situation from the participants in the organisations selected. Therefore, the aim was to understand the research study through their experiences as organisational competitiveness and innovation is not a static condition. It is continually changing and it is affected by micro/macro environmental factors which have been discussed previously.

Silverman (2000) argues that the methods used by qualitative researchers can provide a deeper understanding of social phenomena than would be gained from purely quantitative data. This research study chose to interpret changes



over time to generate better understanding by exploring the meaning of innovation and competitiveness from the prospective of managers. Furthermore, the participants in this study were mainly managers whereas some people call them policy makers. Their contribution to the policy of any organisation is considerable. Thus, they can understand what is going on as well as where their companies is heading. The roles of leadership and their commitment are essential in the success of organisations and its sustainability. One of the focuses of this study was therefore to understand their motives and also their actions towards innovation and competitiveness. The following section explains the research strategy, the sampling selection and data collection methods that were used.

### **3.2.1. The Research Strategy**

The research strategy was to build a number of company cases to explore. All the selected cases were manufacturing companies but they are typical cases; “typical cases” in this context means that they manufacture different products and they operate in different markets. The author chose different companies situation (typical cases) in order to understand the complete picture of organisational competitiveness and innovation. One aim of studying multiple cases is to increase generalisability and to deepen understanding and explanation (Miles and Huberman, 1994). Strauss and Glaser (1970) cited in (Gummesson, 2000) argue that there are two types of case study and that they vary in character. The first one attempts to use a limited number of cases to derive a general conclusion, the second form attempts to gain specific conclusions regarding a single case because it’s case history is of particular interest. Yin (2009) affirms that each research method can be used for all three purposes: exploratory; descriptive and explanatory. Therefore, what differentiates the different methods is not a hierarchy but three conditions which comprise:

- ⊙ the type of research question posed
- ⊙ the extent of control a researcher has over actual behavioural events
- ⊙ the degree of focus on contemporary as opposed to historical events

The holistic and meaningful characteristics of real-life events, such as individual life cycles, organisational and managerial processes, neighbourhood change, international relations and the maturation of industries can be retained by

investigators using a case study method. Questions, such as "how" and "why" are more explanatory and veer towards the use of case studies, histories, and experiments as the ideal research strategies. This is because such questions deal with operational links needing to be traced over time, rather than mere frequencies or incidences (Yin, 2003).

However, one would argue that even a single case, may provide the basis for a theoretical explanation of a general phenomena, if studied in sufficient depth and with sufficient insight (Hyde, 2000). Yin (2009) further argues that each method has its own advantages and disadvantages. Therefore, you need to appreciate these differences. Many social scientists still deeply believe that case studies are only suitable for the exploratory phase of investigation, that surveys and histories are suitable for the descriptive phase, and that experiments are the only way of doing explanatory or causal inquiries. This hierarchical view reinforces the idea that case studies are only a preliminary research method and cannot be used to describe or test propositions. However, an essential advantage of case study research is the chance for holistic view of a phenomena "the detailed observation entailed in the case study method enable us to study many different aspects, examine them in relation to each other, view the process within its total environment and also utilise the author's capacity for "Verstehen". Consequently, case study research provides us with a greater opportunity than other available methods to obtain a holistic view of a specific research project" (Valdelin, 1974) cited in (Gummesson, 2000).

Nevertheless, multiple cases sampling give more confidence that emerging theory is generic, because it has been seen to work out and not work out in predictable ways (Mile and Huberman, 1994). This study used multiple cases to explore organisational competitiveness and innovation from different stories and gain different insights and as a result it enriched the information generated. The following section deals with the sample selection, the criteria of selecting the cases studied as well as the interview technique used.

### **3.2.2. Sampling**

In selecting the sample of companies, some issues needed to be considered. For example, on what criteria should the sample of SMEs be selected? How should access to the companies be obtained?

The sampling process was undertaken in two stages. Firstly, a list of potential companies in South Yorkshire was developed; they were manufacturing companies competing effectively in their markets and considered innovation as a critical success factor in their strategy. This list of potential companies contained fourteen possible companies to conduct this research. They were investigated by the author by looking at their web pages and searching for evidence of how they competed and innovated. After this process the list was further reduced down to nine potential companies. Purposive sampling is a method of getting information by seeking individuals who are rich sources of information and who will be able to provide the needed information (Patten, 2005). Saunders et al. (2007, p230) argue that, "purposive or judgemental sampling enables you to use your judgement to select cases that will best enable you to answer your research question(s) and to meet your objectives". It was important, therefore, to select companies who were able to give insights into how SMEs compete and innovate effectively in their markets.

After the purposive sample process, the second stage was in gaining access, which was an important issue in order to conduct this research. The potential nine companies were officially contacted and introduction letters were sent (see appendix 1 and 2). The author was able to gain access to seven companies based on a number of criteria (see table 3.1).

The approach was to inductively build on the participants' experience from different typical cases in order to answer the research question with regard to competition and innovation. The strategy used identified seven manufacturing companies with the following criteria:

- ⊙ Based in South Yorkshire, UK.
- ⊙ They survived the recession
- ⊙ Core business was manufacturing
- ⊙ They were SMEs and, specifically, have between 5 and 250 employees.

- ⊙ Companies with successful experience in the market (in existence for more than 5 years).
- ⊙ Competitive companies that have evidence of innovation.
- ⊙ Companies that have evidence of successful of competitiveness.

Further justifications of the sample are explained in table (4.1) in the next chapter. The sample for this research was small because the research was done through in-depth interviews. Unlike quantitative researchers, who aim for larger numbers of context-stripped cases and seek statistical significance, qualitative researchers usually work with small samples of people, nested in their context and studied in-depth (Miles and Huberman, 1994). The DTI's (Department of Trade and Industry, 2002) definition of innovation cited in Aronson (2008) mentioned in Chapter 2 was used as a main definition in this study journey that, "Innovation is the generic term for the successful exploitation of new ideas". This definition was used to identify and determine the selection of the studied companies. Sample selection is one of the important stages in this research journey. The aim is to select a sample that can be representative as well as a good source of information. The research was cross-sectional and the time plan for this research was from September 2008 to July 2013.

- ⊙ 2008 - Social Science Research Methods
- ⊙ 2009 - Literature review and data collection
- ⊙ 2010-2011 Data analysis
- ⊙ 2012-2013 Writing up and completion of the PhD

It was the intention to carry out a study consisting of a number of exploratory semi-structured interviews with senior and middle managers who influence the decision making process of the competitive advantage of their organisations. To gain a better understanding and to validate the information, interviews were carried out across a range of functions within the participating organisations.

The reason for specifying the number of employees is that small companies and new small companies sometimes do not provide useful information. Since small companies work on a day-to-day basis and they are not aware of the current topics that are relevant to this research. Moreover, they are not so inclined to work with strangers because their attention is focusing on survival and they can be busy with internal tasks. There was a lack of available contact information in

the searched databases. The insight was reached from the short listing process of the cases carried out by the author where the participants did not provide any useful information. Therefore, the author used purposive sampling, which is widely used by qualitative researchers. Thus one of the criteria was to consider the age of the participant companies which needed to be more than five years old.

The main interview themes developed from the literature were explored with an expert panel of academics and practitioners which helped the author to refine and develop the interview themes and helped in selecting the companies in order to generate rich data. The second stage of this research was in-depth case building with the selected companies. Companies were selected according to the criteria above. Purposive sampling method was used to assure rich data was gathered to gain insights and theory building data. Hence, the author had clear selection criteria and obtained some experts assistance to select the cases from a list of potential companies. Seven companies were identified to analyse their capability in competitiveness and innovation. A snowballing technique was used to identify the sample of the study, exploring the participants' point of view which was the key focus of the study. As a result, the core two interviews were with the first two companies in the following table (Table 3.1). The snowballing technique was based on the criteria mentioned above to make sure that the sample selected was relevant to the research question. The following table summarises the organisations, number of participants' number, position, date of establishment, and the location of the company.

**Table 3.1:** The sample selected for the Study

240	1. Operation Director 2. Human Resources Manager	1952	£10 Million	Barnsley
240	1. Managing Director 2. Research and Development Manager	17 Years Old	£22 Million	Sheffield
52	1. Managing Director 2. Works Manager 3. Product Manager	10 Years Old		Barnsley
76	1. Managing Director 2. Business Development and Marketing Manager	1945-1948	£13 Million	Sheffield
100	1. Cell Development Manager 2. Technical and Sales Manager	1939	£9 Million	Rotherham
200	1. Group Finance Director 2. Group Sales Director 3. Operation Manager	1995	£35 Million	Darnall
8	1. Design and Innovation Director		—	Rotherham

The interviews were conducted using semi-structured interviews with senior managers who were expected to provide rich information having several years of experience with the selected companies. This gave them knowledge of the changes that have happened and an awareness of the changes that the company might make in the future. South Yorkshire was the chosen region for this research because of time and financial restrictions. Patten (2005) argues that the most important reason qualitative researchers use smaller samples than quantitative researchers is that qualitative data collection methods are often more expensive and time consuming than quantitative ones.

In all the companies, a tour of the site was taken by the author before he conducted the first interview. The relationship between the author and the participants was very good. It has continued to evolve, to the extent that some participants have continued to exchange information and share current news of their company with the author during the period of the research. Therefore, the trust between the author and participants and the richness of the information added value to this data so that the author could rely on it to draw appropriate conclusions.

### 3.3. Data Collection Methods

The aim of this chapter is to explain the methodological approach taken to achieve the objectives of the research study. The author started his research journey with an evaluation of the literature (see Chapter 1 & 2) to gain a pre-understanding of the research study subject. This is considered as a vital process towards understanding the research subject and contributes to the body of knowledge with some valuable insights. Things such as people's knowledge, insights, and experience before they engage in a research programme or a consulting assignment are considered as pre-understanding; understanding refers to their improved insights emerging during the programme or assignment (Gummesson, 2000). In this sense, the term pre-understanding was used in the research study to define the stages that were undertaken by the author to achieve the objectives and understand the phenomena.

Data for a case study can come from many sources of evidence such as documentation, archival records, interviews, direct observation, participant-observation and physical artefacts (Yin, 2003). Creswell (1998) argues that observations (ranging from nonparticipant to participant, interviews (ranging from semi-structured to open ended), documents (ranging from private to public) and audio-visual material (including materials such as photographs, compact disks, and videotapes) are considered as basic types of information to collect. In this context, semi-structured interviews were the appropriate method to collect data for this study. The generation of data is reliant mainly on the experiences, beliefs and attitude of the participants. Since the author visited all the companies' sites, some notes were taken through the process of observation whilst conducting the interviews.

The purpose of this study was to collect data from manufacturing institutions as cases to study using face to face semi-structured interviews with key managers. However, the amount of time required as well as recruiting the participants should be considered in conducting qualitative research. The best recruitment strategy is probably to send a letter (see Appendix 1) with basic details of the study's aims and what will be required of the interviewee, with a follow-up phone call in which the author can explain his/her aims in more depth and answer any queries (King, 2011).

Patten (2005, p147) argues that, "semi-structured refers to the fact that the interviewer does not need to ask only predetermined questions, if a participant does not seem to understand a question, it can be reworded by the interviewer. If a response is too terse, the interviewer can ask additional questions, such as can you tell me more about it?" In addition, the interviewer can probe with further questions in order to explore unexpected, unusual or especially relevant material revealed by a participant. For this research semi-structured one-to-one interviews with a number of managers of the selected companies were carried out. First of all, an introduction letter from the university was provided to each participant, clarifying the aims and the objectives of the research and also a formal letter was provided by the author. This explained the title of the study and assured the confidentiality of names as well as the data that was to be gathered from the participants. The following table (3.2) summarises the data collection activities in this study.

**Table 3.2: Data collection activities**

<b>Data Collection Activity</b>	<b>Case Study</b>
What is traditionally studied? site/individual(s)	Abounded system such as a process, activity, event, programme or multiple individuals
What are typical access and rapport issues? (access and rapport)	Gaining access through: university, events and the participants
How does one select site(s) or individuals to study? (purposeful sampling strategies)	Purposive sampling of typical cases
What type of information typically is collected? (forms of data)	Interviews
How is information recorded? (recording)	Notes and interviews
What are common data collection issues? (field issues)	Interviewing
How information is typically stored? (storing data)	Field notes, transcriptions, and computer files

Adapted from: (Creswell, 1998, p112)

Semi-structured interviews were conducted in order to study the research subject, how organisational capabilities influence organisational competitiveness and innovation. Processes, activities, programmes, experiences and techniques were explored through interviewing the



participants. All data was recorded and transcribed into transcripts to help in the data analysis process and enable it to be imported into the N-Vivo software. This study relies on interviewing to gather the data therefore the next section explores interviewing and the questioning techniques.

### **3.3.1. Interviewing**

Interviews bring out the best in the respondents, it has its natural basis in human conversation and allows the author to adjust the pace and style of asking questions (Hannabuss, 1996). The type of interview that was used in this study was a semi-structured interview. An interview can help to gather valid and reliable data that is significant to the research question(s) and objectives. Moreover, when research question and objectives are not entirely formulated then interviews can help to achieve this. In semi-structured interviews, the interviewer has a list of themes and questions to be covered. However, the order of the question may be varied from one interview to another depending on the flow of the interview and also additional questions may be required to clarify ambiguous answers and explore new matters that might arise during the interview. The questions and subsequent discussion was recorded and supplemented by note taking (Saunders et al., 2007).

Interviews face the risk of covering only a small and possibly unrepresentative sample of respondents because it is often intensive and time consuming (Hannabuss, 1996). However, this study used typical cases to overcome this challenge and ensure rich information. Another challenge in conducting interviews is establishing personal contact. King (2011) argues that interviews are time consuming for interviewees and might result in problems in recruiting participants in some organisations and occupations. However, managers are more likely to prefer to be interviewed than complete a questionnaire, particularly where the interview subject is seen to be interesting and related to their current work (Saunders et al., 2007). Furthermore, interviews seem to answer challenges well, in this context, the authors want the respondents' own perspective to emerge, explore the ways in which people working together share common understanding, get insight into particular experiences, find out motives behind decisions, get a view of informal procedures, consider apparent contradictions between attitudes and behaviour, and allow respondents time to provide answers (Hannabuss, 1996).

The author used a recording device to ensure that no data was forgotten or dropped from the interviews. All the participants agreed to be recorded and they were provided with a transcript of their interview to assure the validity of their information and ensure that there were no further matters to be discussed. There was only one joint interview, the rest were all one-to-one. In one company the author conducted the interviews all on the same day. Table 3.1 (previously) shows that all the participants were managers. The author was able to interview a minimum of two managers in each organisation except in one case where only one interviewee was identified. The next section explains the question techniques.

### **3.3.2 Question Techniques**

The questioning technique used in this study was open ended questions in face-to-face semi-structured interviews with managers of the selected companies. Questions to build rapport were used to ensure useful interaction between the author and the participants and also to build a good relationship with the participants. Questions were also included for demographic information, such as background information which allowed the author to describe the participants in a research report (Patten, 2005). The main themes of the interviews were developed from the literature in order to manage the conversation with the interviewee but not to affect the way the research went.

The research literature, the interviewer's own personal knowledge and experience of the area, and informal preliminary work such as discussions with people who have personal experience of the research area are the three sources for topics to be included in an interview guide (King, 2011). Additional questions are asked depending on the circumstances of each interview to support some ideas that are raised by the participants as well as to clarify some ambiguous answers. Hannabuss (1996) argues that interviews are good ways of eliciting opinions on complex and sensitive issues, if you ask respondents similar questions, they can easily be compared.

The author had a clear idea of what the key research themes were (e.g. "Is the leadership committed to compete and innovate?" "Is the organisational culture supportive and if so how?" "How do they make relationships and how do they network?" "How do they manage their innovation?") (Hannabuss, 1996) see also Appendix 3. Another element to enrich the question technique is to make

observations while conducting the interviews as well as undertaking tours within the selected companies. Therefore the author added these observations into the transcript of the interviews to add value to it and to generate more ideas, since the author found that some companies have relevant information that could be included from the tours that the author took. The interview process mentioned previously in table 3.1 reached saturated data with regard to the interview themes and additional questions. Thus, the author concluded that the data collection process had become complete. At that point, no further participants were studied because new types of information were unlikely to be obtained by increasing the sample size (Patten, 2005). The following section discusses how the data gathered was analysed.

### **3.4. Data Analysis Strategy**

The analysis of the data in this research used a qualitative approach to lead to inductive theory building. An inductive approach is a systematic procedure for analysing qualitative data in which the analysis is likely to be guided by specific evaluation objectives (Thomas, 2006). Thus, in this research, concepts, themes, or a model are generated through interpretations made from the raw data by the author. Yin (2009, p130) considers that, "the strategy will help you to deal with the evidence fairly, produce persuasive analytic conclusions, and rule out alternative interpretation. Moreover, it helps you to use tools and make manipulations more effectively and efficiently. However, these strategies and its techniques are not mutually exclusive. So you can use any number of them in any combination". Yin (2009, p134) also presents four general strategies that qualitative researcher might use:

1. **Relying on Theoretical Propositions:** This strategy is the most preferred one leading to a case study. Objectives and design of the case study are most likely based on such propositions, which in turn reflect a set of research questions, consideration of the literature and new hypotheses or propositions. Furthermore, this proposition can be a guide for the case study analysis as an example of theoretical orientation and because theoretical propositions stem from "how" and "why" questions so it can be extremely useful in guiding case study analysis. Obviously, the proposition helps to focus attention on certain data and ignore other

irrelevant data and also helps to organise the whole case study and to identify alternative explanations to be examined.

2. **Developing a Case Description:** This strategy attempts to develop a descriptive framework for organising the case study. However, this strategy is less desirable than relying on theoretical propositions but provides an alternative when the first strategy is overly complex. Sometimes, the original purpose of the case study may have been a descriptive one. Nevertheless, the fieldwork may have undesirably accumulated a lot of data without previously having established an initial set of research questions or propositions. In this way studies inevitably meet challenges at the analysis phase. The ideas of the framework should have come from the initial review of literature, which may have discovered gaps or topics of interest. In other circumstances, the original objective of the case study may not have been a descriptive one, but a descriptive approach may help to identify the correct causal links to be analysed even quantitatively. The descriptive approach can be used to identify (a) an embedded unit of analysis and (b) an overall pattern of difficulty that ultimately is used in a causal sense, for example to explain why some implementations had failed.
3. **Using both Qualitative and Quantitative Data:** This strategy might be more attractive to researchers and can generate significant benefits. In this context, some case studies can include large amounts of quantitative data which is subjected to numerical analyses at the same time that qualitative data nevertheless remain central to the whole case study, this will have successfully followed a strong analytic strategy. If the quantitative data is relevant to the case study it may cover the behaviour or events that the study is trying to explain. Furthermore, the data may be linked to an embedded unit of analysis within your broader case study. In both conditions, the qualitative data may be critical in explaining or otherwise testing your case study's key propositions.
4. **Examining Rival Explanations;** In this strategy the attempt is "to define and test rival explanations, generally works with all of the previous three: Initial theoretical propositions (the first strategy above) might have included rival hypotheses; the contrasting perspectives of participants and stakeholders may produce rival descriptive frameworks (the second

strategy); and data from comparison groups may cover rival conditions to be examined as part of using both quantitative and qualitative data (the third strategy)".

Such pre-understanding would help the author minimise the difficulties that might be faced in the analysis. Therefore, the strategy that the author used in his analysis was based on a general inductive approach understood through a close look at the data collected in producing codes, ideas and concepts generated from the raw data.

The recorded interviews with each case were transcribed into text. This allowed the author to analyse them in order to produce the themes that helped in answering the research question of how companies can compete and innovate and it also helped in the theorisation process of this research. The transcript of the interviews including information about the backgrounds of the cases studied, is explained in Chapter 4, giving the reader an introduction to these cases as well as the challenges that they faced in organisational competitiveness and innovation. Thomas (2006) states some purposes underlying the development of the general inductive analysis approach. Firstly, to condense extensive and varied, raw text data into a brief summary format. Secondly, to establish clear links between the research objectives and the summary findings derived from the raw data and to ensure that these links are both transparent (able to be demonstrated to others) and defensible (justifiable given the objectives of the research). Thirdly to develop a model or theory about the underlying structure of experiences or processes that are evident in the textual data.

Each interview started with pre-determined introductory questions in order to gain information about the background, positions and experience of the participants. Subsequently the questions focused on the main themes of the research subjects generated from the literature of organisational competitiveness and innovation. The output of the main themes was the source for developing the theory at the end of this research process.

**Table 3.3: The list of the main themes of "In-depth Managed Interviews"**

Main Themes
1. Role of leadership
2. Role of cultures
3. Generation of information for innovation
4. Role research and development
5. How employees meet and discuss innovation and new ideas
6. Management of innovation
7. Company's view of innovation
8. Mechanism for innovation
9. Drivers of innovation
10. Relationship with external partners
11. The communication tools
12. Relationship with, customers, employee, partners and competitors

Each interview was fully transcribed and subsequently analysed by the author. Understanding the events and the conditions surrounding the cases studied and also the organisational capabilities that influenced organisations to compete and innovate gave the author an initial understanding.

### **3.4.1. Manual Coding**

The first step of the analysis was the manual coding. The second step of the analysis was the coding using NVIVO in order to produce the themes and the ideas that contributed in the formulation of a theory grounded on the data gathered. Saldaña (2009, p3) defines a code in qualitative inquiry as "most often a word or short phrase that symbolically assign a summative, salient, essence-capturing, and/or evocative attribute for a portion of language-based or visual data. The data can consist of interview transcripts, participant observation field notes, journals, documents, literature, artefacts, photographs, video, websites, e-mail correspondence, and so on." The following table explains the manual coding process in this research.

**Table 3.4: The manual coding process**

<b>Company Name</b>	<b>Interviewee's Initial</b>	<b>Question Number</b>	<b>Section Number</b>	<b>The Manual Code</b>
A	S	4	5	A.S.4.5
A	M	15	1	A.M.15.1
B	D	7	16	B.D.7.16
B	M	17	7	B.M.17.7
C	N	5	5	C.N.5.5
C	P	10	5	C.P.10.5
C	J	15	1	C.J.15.1
D	D	41	1	D.D.41.1
D	P	42	1	D.P.42.1
E	R	31	3	E.R.31.3
E	N	19	1	E.N.19.1
F	D	15	2	F.D.15.2
F	K	6	4	F.K.6.4
F	A	6	2	F.A.6.2
G	G	14	7	G.G.14.7

Miles and Huberman (1994, p56) suggest that, "coding is analysis. To review a set of field notes, transcribed or synthesised, and to dissect them meaningfully, while keeping the relations between the parts intact, is the stuff of analysis. This part of analysis involves how you differentiate and combine the data you have retrieved and the reflections you make about this information."

The previous table shows some examples of how the author did the first coding process manually in order to analyse the gathered data of this research subject.

This manual coding process helped the author to identify easily the source of any word, phrase, or sentence in the interviews conducted. Furthermore, it served as the first step towards a simulation of the themes explored in later chapters. A close look at the raw data provided by the participants as well as careful reading, allowed the author to define themes, ideas and concepts. This was the first step towards an in-depth analysis that generated meaningful interpretation for the data gathered. Bazeley (2007) argues that qualitative analysis is about working intensively with rich data.

In this stage each interview was coded independently. In this context, any word, short phrase or sentence that brings a meaning was coded. In the previous table, the given name of the companies (A, B, C, D, E, F and G) and the origin interviewees' names were used in the manual coding process as initials. The first letter represents the name of the company, the second letter represents the name of the interviewee and the first number is the question number. The last number of the code represents the section of the answer, since the majority of the answers have more than one code in the same answer of the interview questions. Although coding may be part of the process of analysis, it should not be seen as substitute for analysis. Rather, the term coding includes a variety of approaches to and ways of organising qualitative data. However, attaching codes to data and generating concepts have important functions in enabling researchers rigorously to review what their data is saying (Coffey and Atkinson, 1996). Therefore, the author tried to avoid any superficial analysis by undertaking the following steps which are explained in the following paragraphs. Moreover, comparisons were made between cases to assure the quality of the data and also in understanding the concepts behind all codes and ideas.

#### **3.4.2. The NVivo Coding**

In the second step of the analysis, the author used NVivo software. The tools provided by NVivo support the analyst in making use of multiple strategies concurrently - reading, reflecting, coding, annotating, memoing, discussing, liking, visualising with the results of those activities recorded in nodes, memos, journals and models. Initially, interviews are divided into free nodes (in this process all the interviews were coded closely) (Bazeley, 2007). From the process of free nodes the author used the software to create the tree nodes (in this process all similar codes were put together to formulate the themes as a



result). The author benefited from the software in organising the raw data as well as gathering similar codes together into categories, this process called the free nodes or (coding process) in order to reach the final themes. The following figure shows an example of the free nodes process.

Figure 3.2: Free nodes process

The screenshot shows the NVivo software interface. The main window displays a table of 'Free Nodes' with the following columns: Name, Sources, References, Created On, Modified On, Created By, and Modified By. Below the table, there is a 'Queries' section showing a query named 'Appraisals for Employees' with a coverage of 0.61%.

Name	Sources	References	Created On	Modified On	Created By	Modified By
5s's Sjstem	2	4	18/05/2010 20:34	04/06/2010 12:50	J	J
Access to M	1	1	01/06/20101309	02/06/201011 41	J	J
Accountabilit	3	3	18/05/201011 43	07/06/201012:43	J	J
Accounting	1	1	17/05/20101920	18/06/201021:51	J	J
Accounting	3	5	18/05/2010 12 16	03/06/2010 12:58	J	J
AccounIsFas	1	1	31/05/201012.52	31/05/2010 13:25	J	J
Ad hoc IF It	1	3	17/05/201012:31	17/05/201012:37	J	J
Adopt Tool o	1	1	31/05/20101355	31/05/201013:55	J	J
Agents As a	1	4	24/05/2010 14 46	24/05/201016:43	J	J
Agent's Tec	1	2	20/05/201011 24	20/05/201011:24	J	J
Always Push	2	2	19/05/201014 06	05/07/20101410	J	J
An Internet	2	4	16/05/201016:23	17/05/201016 55	J	J
Analyse Wh	1	1	31/05/201013:29	31/05/201013 29	J	J
AppiaisalSy	2	4	18/05/2010 20 31	03/06/201012:58	J	J
Appraisals f	2	2	02/06/201011 20	03/06/2010 12:58	J	J

Queries

Appraisals for Employees

\$1 reference coded (061%)

Reference 1 -0.61% Coverage

MTJC55 and, obviously, we've got appraisals as well and things like that, where people have the opportunity to discuss any issues they've got

The author moved from manual coding to the free nodes using the NVivo software in order to organise and gather all similar codes and call them according to the description they represented. Richards (2005) cited in Bazeley (2007, p66) argues that, "codes range from being purely descriptive- this event occurred in the *playground*, through labels for topics or themes- this is about violence between children, to more interpretive or analytical concepts- it is a reflection of cultural stereotyping." For example, in the above figure, it can be seen from the manual code of MT.K.9.5 that the interviewee talked about the appraisal that his company has. Thus, this descriptive code is coded as appraisal for employees and any other interviewee that talks about employees'

appraisal from other companies is included in this code. From the free nodes process (see appendix 4), it was easy to see and organise the data of free nodes (codes) to reach the tree nodes which became the themes of this raw data. The following figure shows the tree node process in this research.

Figure 3.3: Tree nodes process

© freecoding and themes.nvp NVivo

File Edit View Go Project Tools Window Help

Nodes

Look for Search In » Tree Nodes FmdNow Clear Options \* X

Name	Sources	References	Created On	Modified On	Modified By	Created B	A
Communication Approac	14	126	08/07/2010 14:36	23/08/2010 15:22			
43 Communication Tools	14	242	08/07/2010 14:35	24/08/2010 14:53	J	J	
43 Companies Background	0	0	06/07/2010 10:20	06/07/2010 10:20	J	J	
43 Company's Relations	0	0	10/07/2010 11:42	10/07/2010 11:42	J	J	
43 Cultural Descriptors	11	29	06/07/2010 14:34	03/08/2010 13:26	J	J	
43 Evaluation of Learning a	14	86	08/07/2010 13:27	21/08/2010 16:55	J	J	
43 Hard Elements of the Intl	13	68	07/07/2010 09:55	08/08/2010 17:29	J	J	
43 Image of the Market	13	119	08/07/2010 14:36	25/08/2010 15:06			
43 Leadership VManagern	13	58	07/07/2010 14:22	10/08/2010 13:18			
43 Learning Approaches	14	145	08/07/2010 10:59	16/08/2010 16:06	J	J	
43 Manufacturing Capabilir	13	56	08/07/2010 14:23	19/08/2010 16:37	J	J	
43 Marketing Strategy	11	41	11/07/2010 14:23	19/08/2010 16:36	J	J	
43 New Ideas	0	0	11/07/2010 14:54	11/07/2010 14:54	J	J	
43 New Product Developme	14	136	09/07/2010 11:23	04/09/2010 14:55	J	J	
43 Organisational Processe	11	57	09/07/2010 15:50	26/08/2010 15:59	J	J	

Queries

Appraisals for Employee: Communication Approaches

Coverage | references coded [3 70%

Reference 1 • 0 52% Coverage

F.S.4.4 Yes quickly, tilings happen vesy quickly, with it being a small company people have conversations then they can implement them they canbe put into practice straightaway as

Summary Reference

One of the ideas of the analysing process is to deal with the interviews one by one to know how we can benefit and generate new concepts and ideas from each interview. Yin (2009) argues that over the past decade the software has become more diverse and functional. Essentially, large amounts of narrative text, as might have been collected from open-ended interviews or from large volumes of written materials, such as newspaper articles, can be coded and categorised using the software tools.

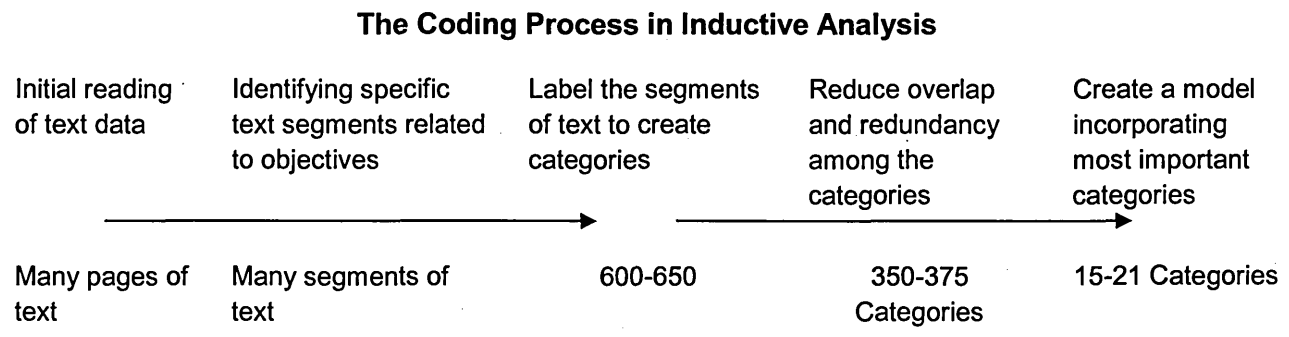
However, in the tree nodes coding process all similar codes are gathered into a category or theme (see appendix 5). The endeavour in this process is to reach the final themes which will contribute in the theorisation process of the research. In the previous figure, it can be seen that all final themes consists of numbers of codes or concepts. The following figure shows clearly how the author arrived at the final themes by illustrating one example.

Figure 3.4: Company's relationship theme

Nodes	Look lot	Search In	Tree Nodes	End Now	Clear	Options			
Free Nodes									
Tree Nodes									
Cases									
Relationships	- p		Company's Relations	0	0	10/07/2010 11:42	10/07/2010 11:42	J	J
Matrices	-		Close Relation: with	14	167	10/07/2010 11:44	29/03/2010 18:14	J	J
Search Folders	- j		Back Up Service	6	9	10/07/2010 12:04	10/07/2010 12:42	J	J
All Nodes	J		Cascading Down The	1	5	10/07/2010 11:50	10/07/2010 12:08	J	J
			Complain Respondin	3	7	10/07/2010 11:53	10/07/2010 12:14	J	J
			Customeis Focused	11	39	10/07/2010 11:56	10/07/2010 12:09	J	J
			One Stop Shop Piod	1	6	10/07/2010 12:09	10/07/2010 12:13	J	J
			PliceWise	5	14	10/07/2010 12:12	10/07/2010 11:46	J	J
			Close Relations with	7	71	10/07/2010 11:46	29/08/2010 18:17	J	J
			Local Knowlledge is K	2	12	10/07/2010 12:37	10/07/2010 12:48	J	J
			Close Relations with	14	131	10/07/2010 12:48	29/08/2010 18:20	J	J
			Employees Decision	4	9	10/07/2010 12:51	10/07/2010 13:02	J	J
			Employees Empowe	8	23	10/07/2010 12:55	10/07/2010 13:05	J	J
			Employees Involvem	13	72	10/07/2010 12:49	10/07/2010 13:12	J	J
			Employees Recogniti	3	3	10/07/2010 13:10	10/07/2010 13:00	J	J
			Market Researchers	1	2	10/07/2010 13:00	10/07/2010 13:14	J	J
			People Development	9	22	10/07/2010 13:03	10/07/2010 11:46	J	J
Sources			Close Relations with	14	142	10/07/2010 11:46	29/08/2010 18:22	J	J
Nodes			Cascading Down the	1	5	10/07/2010 11:50	10/07/2010 12:42	J	J
Queries	P		Constant Contact wit	1	4	10/07/2010 12:30	10/07/2010 12:35	J	J
Models	Q		Government Support	1	8	10/07/2010 12:35	10/07/2010 12:45	J	J
			Local Agencies Relati	8	16	10/07/2010 12:43	10/07/2010 12:38	J	J
Links			Local Knowledge is K	3	16	10/07/2010 12:38	10/07/2010 12:40	J	J
			Networking with Difle	2	2	10/07/2010 12:39	10/07/2010 12:46	J	J
Classifications	(A^)		Univetsities's Relatio	12	56	10/07/2010 12:43	10/07/2010 12:46	J	J

All the themes that the author arrived at in the tree nodes process followed the same method as the example above. In this context, the process started with manual coding and then free nodes processing by the NVivo software and then the final stage, which is the tree node process. Seidel and Kelle (1995, p52) cited in Coffey and Atkinson (1996, p27) note that, "codes represent the decisive link between the original 'raw data,' that is, the textual material such as interview transcripts or field-notes, on the one hand and the author's theoretical concepts on the other". The result of the free nodes process, which labels the segments of text, created 600-650 categories.

**Figure 3.5: The Coding Process in Inductive Analysis**



**Source:** Adapted from Creswell (2002, p 266, Figure 9.4) cited in (Thomas, 2006, p242)

Patten (2005, p153) argues that in the grounded theory data analysis approach "starts with open coding. In this stage, segments of the transcript of the interviews are examined for distinct, separate segments (such as ideas or experiences of the participants) and are coded by identifying them and giving each type a name." The author used the same way of coding to allow the formulation of the theory in this research to be grounded in the data. Subsequently, the reduction of categories process relied on the link to the research objectives as well as the similarity between the categories; this reduced it down to 350-375 categories.

Analytic principles that underpinned the coding procedures established links of various sorts. Fragments of data were brought together through coding to create categories of data that had common properties or elements. Such data related to different particular topics or themes. The coding thus linked all those data fragments to a particular idea or concept. Some themes and concepts were in turn related to others. Thus, the analytic work followed a heuristic approach recreating such linkages. This is consistent with analytical analysis which focuses on using the codings and concepts to get meanings of data using computer software as an aid to data manipulating (Coffey and Atkinson, 1996).

This process resulted in the themes that shaped the theory development of this research study. For example, one of the 21 categories or themes is "Companies' Background". The author summarised the situation of each company, for example, the position of each participant as well as the size of the studied organisations, the location and the business that they are operating in were

explained as well as their turnover. Furthermore, the challenge of the participated organisations to change and innovate to survive was explicit, even from the voice of the participants. This process gave the author a background about the cases as well as the participants. Chapter 4 presents the outcome of this coding processing summarising each case studied.

### **3.5. Credibility and Transferability**

Mason (1996, p 150) cited in Robson (2002) show how you may demonstrate the validity of your interpretation: "In my view, validity of interpretation in any form of qualitative research is contingent upon the 'end product' including a demonstration of how that interpretation was reached. This means that you should be able to, and be prepared to, trace the route by which you came to your interpretation... the basic principle here is that you are never taking it as self-evident that particular interpretation can be made of your data but instead that you are continually and assiduously charting and justifying the steps through which your interpretations were made." Here all the steps of this study are acknowledged, recorded and dated to ensure that everything is explained in detail and is clear for any further investigation in order to assure the credibility of this study.

The transferability of this study is based on the findings of this research and according to the sample chosen using purposive sampling with a number of companies. Gummesson (2000) argues that a limited number of observations cannot be used as a basis for generalisation and also that properly devised statistical studies based on a large number of observations sometimes will not lead to meaningful generalisations. Therefore, the transferability of this study to another situation or other companies depends on the reader and his interests as well as the circumstances of the situation. Here, in such case the author does not claim universal generalisability of the findings. Therefore, the transferability to another situation or other companies relies on their situations. The only ethical issue in this study is confidentiality which has been confirmed to the participants in the introduction letter (See appendix 1). The author explained that this study is for academic purposes only.

### **3.6. Limitations**

The issue of generalising from a limited number of cases is vital. Furthermore, getting access to a number of companies is a challenge, as well as building good relationships with key managers. Despite that, the author was able to interview different managers from the same company. However interviewing more managers as well as a number of employees could bring more value to the research and gain more knowledge about the subject studied.

### **3.7. Summary and Conclusion**

To summarise, this research tried to gain a better understanding of the organisational capabilities that influence innovation and organisational competitiveness. Semi-structured interview were conducted with selected participants. This study used an inductive approach where the development of a theory is a result of raw data analysis using a snowballing technique of sampling. Therefore, the philosophy, which suited the research question, is an interpretive epistemologically philosophy.

The author's ontological philosophy is that selected case study is understood from the participants' point of view. Thus, the approach of this study was using inductive, building cases to study following an interpretivist paradigm philosophy. Furthermore, the author explained the data collection methods as being semi-structured interviews. The sampling selection method that was used in this study was purposive sampling, which was explained in the main body of this chapter. The following chapter provides an introduction into the companies studied.

## **Chapter 4: Background to Companies**

### **4.0. Introduction to the Seven Companies Studied**

Using the selecting criteria in Chapter 3, a sample of seven companies were identified to study, to seek an understanding of the nature of SMEs and how they compete and innovate in their marketplace. This chapter introduces the reader to each of the companies in turn and briefly explores the events and challenges that they faced over the duration of the study.

The aim of this chapter is to help the reader understand the context of each case in terms of, organisational establishment, size, turnover, vision, markets, product, structure, strategies and opportunities as well as explore how these companies overcome market challenges. In chapter 4 in-case analysis technique is used to understand each case and to highlight their concerns as well as what is their focus in building competitive advantage to enhance their competitiveness and innovation capabilities. As a result, this helped in building the theory at the end of the study (Mile and Huberman, 1994).

This information is based on the interviews with the senior managers of the SMEs, specifically looking at attempts to enhance their capabilities for innovation and competitiveness.

The name of the companies has been concealed and replaced with the names A, B, C, D, E, F and G. The transcripts created were sent back to the participants to make for more robust and valid information as well as to build relationship with each of them.

Table (4.1) shows the studied companies' product, vision, market and the competitive advantages. The data analysis was based on the interviews and the section on competitive advantage shows the area where the companies studied concentrate in terms of organisational competitiveness and innovation and also justifies the selection of the studied companies.

**Table 4.1: Companies' products, markets and competitive advantage**

Bread & confectionary	To be favourite baker	Bakery products	Product & service	A gluten free loaf, 6 months development project
Wire joiners, tensioners, & suspension systems	Recognised brand worldwide	Agriculture & construction industry	Product & service	New product in a partnership with H organisation
Filtration & Micro-scraper Conveyers	5 Years twice as big	Machines tool industry	Processes & services	New product will be launched in October 2009 in Milan
Threaded bar & cable systems	Supplying bar products	Construction industry	Product & process	Wind farms look promising in the next 10-15 years it has done one project
90% Engineering components 10% pelleting machines	Enter the nuclear market which the government is investing in	Animal feed & wood pelleting for biomass fuel	Product & processes	Trying to get into the wood pelleting market which is new in Britain
Subcontract manufacture of hard-wearing steel components	£ 250 Million turnover	Defence, construction, engineering businesses	Service	Developing the fabrication side an area which is growing very quickly
Assembly tools	Middle road between high volume and low volume	Aerospace industry	Product & processes	Receive requests for new products regularly



#### 4.1. COMPANY A

COMPANY A was established in 1952 as a transport cafe with capacity for baking two loaves. It now has a £10 million turnover and produces a million bread and confectionary products a week. The company supplies bread, morning goods, gluten free products, confectionary and cream cakes both nationally and internationally, however, the core of the business is bread, morning goods and predominantly frozen food. The majority of its bread goes to large food service companies, catering companies (that make sandwiches) and supermarkets chains.

The business is family owned and in its 3<sup>rd</sup> generation. Therefore, the shareholders are part of the COMPANY A family. As a family run company things are kept quite informal. It has 4 directors, 2 of which are part of the family and 2 are not. One of the non-family directors has been in the company most of his life, from being a van lad to working his way up to Sales Director. The other director joined in 2004. The COMPANY A senior management team consists of the Human Resource (HR) Manager, the Health and Safety Manager, the New Product Development Manager and the Research and Development (R&D) manager.

In the bakery there is a day shift manager, night shift manager and below them managers that are responsible for the different departments in the bakery. In terms of UK baking capacity, COMPANY A is a very small bakery but they want to play their part in their market. Strategically, COMPANY A aims to grow the business by £500k per year and remain as a family business so the commitment is there. The main challenges facing the company are the recession and the increasing cost of raw material. As the Human Resource Manager of COMPANY A commented: *(...The customers are not willing to pay more, it is very difficult to put prices up so we are being squeezed by big supermarkets as they try and make thing as cheap as possible and we have to spend more to make them so that is a big challenge at the moment...)* (A.S.3.2).

Furthermore, the company is approved by the advisory committee on boarder line substances to supply to pharmacies which is a new project to the company. The vision is to be a favourite baker, their mission is to enhance their reputation with their customers in food service and retail markets. The Operation Manager

of COMPANY A commented: (*...Our values are quite simply open mindedness, integrity and loyalty and that stands for us all, those values oils the wheels of the company...*) (A.M.5.5).

COMPANY A's ultimate goal is to keep themselves ahead of the game and constantly try to do things that can help them achieve a sustainable competitive position. COMPANY A has an interesting leadership management model and so were interesting to explore, specifically their commitment and support towards organisational competitiveness and innovation plus the culture within COMPANY A (a family model of operations) which support this.

In terms of organisational innovativeness, COMPANY A realised that it cannot survive in this complex environment by just making sliced white bread; it considers innovation as a critical success factor in its strategy. Its leadership is committed to development and it is well connected with a number of organisations. It does a lot of research on new products development and innovation, plus its culture and also its supportive "family" operations are supporting the company to stay innovative.

#### **4.2. COMPANY B**

COMPANY B is a privately owned company that has been in existence for approximately 14 years. In 2007 the turnover was £22 million; in 2008 it achieved £27 million turnover mainly through taking a substantial number of new products to market and national growth in its establish markets. COMPANY B is a manufacturing company and its primary product is known as the world's most innovative way of joining and suspending wires. The company sells its products to about 80 countries worldwide and it has three major offices: Sheffield (the head office), S (France) and C (USA).

COMPANY B is employee owned. Employees can buy non-voting shares and 85% of the employees are shareholders in the business which pays out dividends. When employees leave the company or retire the shares can be redeemed for a higher value than which they paid for them. In 2009 COMPANY B made it compulsory for new staff to buy shares and to maintain a minimum amount in order to continue employment. COMPANY B is not just concerned about product development, following directly on from their share ownership

scheme, employees do not have a problem challenging themselves or each other and this mentality is encouraged by COMPANY B's ownership structure. It was interesting to explore how COMPANY B executed this model and how it benefited from it in terms of organisational competitiveness and innovation.

COMPANY B manufactures products for two different sectors, Agriculture and construction. In the agricultural industry COMPANY B supplies wire joiners and tensioners for fencing and in the vineyard industry, trellising to support the vines. Approximately 85% of their agricultural products are exported. For the construction industry, they supply suspension systems to the electrical and mechanical industries. They make fittings and hanger to suspend service equipment, such as air conditioning pipes, emergency cables and crossbars for electrical cabling. The agricultural business is a more established mature market but with the influence of European countries joining the European Union (EU), COMPANY B sees real growth in Eastern Europe through new equipment and also growth in India and China. The growth of the company has been significant, in 2007 COMPANY B grew its industrial business by 30%. Its growth strategy in the short term is based on new market elements (e.g. India, the Middle East, China, and South America) but also based on product developments which will take them into new segments within the construction and the agricultural industries.

Innovation is essential to what COMPANY B does and it was therefore interesting to explore. Company B is a company in transition, they were small but they have ambitions to be a big company. They want to expand both aspects of their business and their aim is to become a recognisable worldwide brand. The Research and Development Manager of COMPANY B commented:(...*We are now planning on how we become big company so we have ambitions again very much from the board downwards to grow this company to become a major company from our small beginnings...*) (B.D.28.2).The growth strategy of COMPANY B is based on penetrating into new market and also on product developments (see table 4.1). The way COMPANY B operates is worth exploring, for example the influence of leadership, organisational ownership, their organisational culture, family model of operations and their relationship with the stakeholders enhances their

competitive position. This was very relevant to explore in studying the phenomena of competitiveness and innovation.

COMPANY B has a unique culture where all employees are shareholders, promoting and committed to innovation and development. The leadership commitment, the model of ownership and the openness to other organisations is helping COMPANY B to survive and enjoy success with some innovations.

#### **4.3. COMPANY C**

COMPANY C has been in existence in the UK for about 10 years. It was originally set up by an American parent company and then sold to a Swiss group approximately 5 years ago and since become a much more global company. It has 700 employees throughout the world but only 52 are in the UK company, which is a self-contained unit responsible for its own profit and loss. COMPANY C in the UK has its own engineering and sales departments and everything they sell is manufactured in the UK. If they sell a management system in Europe it is designed and manufactured in the UK. The Works Manager of COMPANY C commented: *(...The person who is CEO of this company said that we will double this business in five years to do that, you do not do that by standing still you do that by being brave and making the big decisions and going out and being innovative...)* (C.P.13.11)

COMPANY C in the UK is the manufacturing arm of the conveyor range of products in Europe for other COMPANY C companies. COMPANY C's Managing Director is based in Switzerland there are four subsidiary companies that are in the machine tool business, one in the UK (which is the participant in this study) two in America, one in Taiwan and one in China. They are an engineering business supplying components to machine tool manufacturers. The product can be quite complicated but they are not extremely high tech. The main products are sand conveyors and filtration. The company is trying to improve the basic filtration process (from 500 microns to 50 microns, a tenfold increase) until they get the best product hence there is a lot of innovation.

COMPANY C has another product (a micro-scraper 500/2) which provides 5 microns of filtration. The company identified large market that they can potentially fulfil and had to decide whether to satisfy it with the current product,

combine two existing products or create something new. This was an example of how they determined what products they required in their range. COMPANY C designed a model and launched it at the trade show in Italy, October 2009. It is a new product with completely new innovation and arose from a customer asking for a non-standard requirement.

COMPANY C supplies the UK as well as companies in Germany, D (Italy) and D (Turkey). In the UK, COMPANY C has a 60-70% share of the market in its core products, whereas, in Europe, the market share is about 10%. Hence the company plan is that their effort should be concentrated around Europe, using their distribution network in France, Germany, Turkey and Italy to push their products through those markets.

COMPANY C started its European business plan in 2007 so the relationships are still building. However, the market is moving away from their products set and instead looking for complete systems. Thus, COMPANY C's market strategy really is to try and establish those systems and hence the UK base are working on developing systems. Looking at the European market they are still focused more on standard products and trying to get an increased market share. The Works Manager of COMPANY C commented: (*...We want to be in the five years time twice as big and we want totally get rid of the competition...*) (C.P.13.13)

The challenge is to keep up with the customers' requirements who want a conveyor system, cooling system and a filtration system that can keep the machine going. The main challenge is that the company wants to always develop new products every year and therefore each year COMPANY C invests a lot of money in innovation hence they have the best high quality product range in the market. The company was interesting due to the issues it faced in implementing their new product development strategy. The company is committed to being the global choice for automating manufacturing with innovative solutions by its committed leadership and its openness to other organisations to innovate and compete.

#### 4.4. COMPANY D

COMPANY D can trace their roots back to 1945-1948 so it is a well-established business. The company went from a £6 million turnover in 2003 to a £13 million turnover in 2009. It has 76 employees, in both manufacturing and office based managerial staff. The COMPANY D brand name is very strong; they manufactured the first metal bar that was used in the post tension of concrete applications. They have a purpose built site in Rotherham which is their only facility so everyone is based there, manufacturing, sales, technical, production, and procurement staff. In 2003 the current Managing Director and the Sales Director led a management buyout.

COMPANY D is a manufacturing company who manufacture and supply steel products to the construction industry. They supply tension bar systems, they purchase bars put threads on them and make them stronger fit for purpose and these are used in a variety of applications, for example: fixing objects into the ground supporting concrete structures, holding down bolts where the bars are used for fixing steel structures into concrete supports and compressing large segments of concrete making them strong for building purposes. The biggest and the most visible use of COMPANY D's products is in the tension structured applications for supporting glass walls, steel structures and glass roof and steel roofs. Typical application would be stadia, airport, bridges and roof structures.

COMPANY D operates a flat management structure below the two leaders (Managing Director and Sales Director). There is an export sales team who handle requests from overseas and a UK sales team, who are of similar size, who handle the sales in the UK. The company has quality assurance, production, logistics and transportation sections. They are all small departments within COMPANY D effectively reporting to the directors. There is an engineering team who are responsible for designing the products, who are probably the main team to lead on what they would class as innovation and the ones who come up with the new products to be one step ahead of the competition.

COMPANY D exports to around 40-50 companies across the world which accounts for approximately 80% of its turnover. However, COMPANY D's single biggest market is the UK where they sell about £3 million worth of products. The

next biggest markets are Europe and then the Middle East and India depending upon specific projects. Furthermore, they supply goods into Singapore and Australia. In terms of large structures that are typical examples of what COMPANY D has done, they include airports such as: Dubai, Alicante, Hong Kong and Porto and stadia such as the Millennium Stadium, Manchester City's Stadium, the Reebok Stadium, the Mandela Stadium and Soccer City Stadium for the South African World Cup. The Royal Jubilee Bridge next to the London Eye on the Thames is one of COMPANY D's biggest projects. The Managing Director of COMPANY D commented: (*...We are looking to develop in terms of the future are really allied to what we are doing at the moment in terms of supplying bar products to the construction industry...*) (D.P.3.1).

The company is in a transition; they export into America but are finding it quite difficult at the moment and they are looking to expand into other geographic markets. To help with this COMPANY D has people in different countries that sell their products and promote their brand. The main threat facing the company is that they have a well-established business but have a very old product group which is often being copied. Therefore, the challenge is to bring in new products to make sure that they can maintain their customer and product base which is not easy and also to develop other products alongside. The Managing Director of COMPANY D commented: (*...The challenge facing the company is that we have a well-established but yet very old product group which is the COMPANY D product which is one that is always very often being copied...*) (D.P.4.1).

This company are looking to innovate by using different materials and by using different structure of bars or compression strokes for a similar kind of application. For instance, (see table 4.1) COMPANY D has noticed that wind farms will be a big thing in the next 10-15 years and there is potential application for a product. COMPANY D tries to exploit their relationship with local Universities to enhance their organisational innovation and get the right knowledge. This how the company uses its relationships in building innovation and therefore made it interesting to explore further. COMPANY D's culture which is based on continuous innovation and customers focus as well as it's extensive network of agents all around the world, maintain the company's presence as an innovator and market leader.

#### 4.5. COMPANY E

COMPANY E goes back to 1899, to a company called R based in Hull where the pelleting machines that we see in the world now were first invented (patented in 1922). COMPANY E is a descendant of that company and it is a family business with 100 employees. In 2009 the turnover of the company was £9 million. In its current form it has been going for 70-75 years since 1939. It started with the grandfather of the current Managing Director and has been passed down through the family to joint Managing Directors. Below them there is a board of five directors, through to a management team of a further seven, split into functional areas of sales, marketing, production, engineering and then two site managers (one for each site). Below that are support functions in terms of engineering and inspection and then at the production level they have operating teams, who work for each particular company.

What COMPANY E tries to do is set up long term contracts with customers to do a variety of parts for each customer. Thus, they allocate a placement and machine to service that customer, in what is effectively an extension of that customer's workshop. The pelleting side is different because it was originally brought into the company as another division within COMPANY E. However, the plan was for it to be separated off into a different limited company and have its own separate marketing, sales and accounting functions. COMPANY E has now been split off; there are five people in the division: the Cell Development Manager who is in charge, the Technical and Sales Manager, Marketing Manager, Administration Manager and the Warehouse Manager.

On one side of COMPANY E is the engineering components section. It is not COMPANY E's own product, which is actually 90% of the business. They design the way of manufacturing it but do not the produce the product itself. In other words, COMPANY E designs the systems that go round producing it but not the design of the product. This 10% of the business is what the author will explore in this research looking at pelleting machines. As the Cell Development Manager of COMPANY E commented: (*...My remit is to come up with a new machine which is a different design, perhaps, from doing very soft grain but the same sort of principles but now can pellet a harder substance, which wood...*) (E.R.1.7).



The original pelleting machine designed by S was an Orbit Pelleting machine, which has a ring dial around it. Grain is placed in at the top, mixed with vitamins and the feed which animals need, it then gets extruded through holes via a spinning die, and chopped into lengths (approximately 6mm diameters by 10-20mm long) for animal feed. For more than a hundred years animal feed has been the market application but COMPANY E wants to expand its markets. Hence it is looking into wood, wood biomass and waste pelleting as a source of fuel. The company has identified a change in the market and it cannot continue selling machines into the animal feed arena because it is a reducing market, instead wood pelleting is seen as a hugely increasing market. So how do they change what they have got in terms of the agricultural machine into something relevant for power generation equipment? It is therefore trying to put more emphasis on supplying machinery into new markets such as renewable energy and bio-mass pelleting markets.

COMPANY E is looking to try to penetrate into the wood pelleting market and it purchased the company which had this section of the business within it. They have thought about where they want to go in the future with this product and also the provision of spares that will be required. As a result, they want to expand in a bigger way, staying with oil and gas which is the main material in terms of pelleting and getting into wood biomass and waste pelleting. The challenge is to change what they have got regarding the agricultural machine into more of power generation equipment. The Cell Development Manager of COMPANY E commented: *(...We have identified that there is a change in the market. We cannot just sell machines into the animal feed business because it is a reducing market. What we can see is wood pelleting and that sort of thing is a hugely increasing market...)* (E.R.9.12). It was therefore interesting to explore what they did in producing this new product and how they collaborated with their internal and external relationships. The leadership of Company E is committed to development and they believe that their people are their greatest assets. They are also open to the outside world through long-term partnerships for the supply of precision components and assemblies in dedicated manufacturing cells to support their organisational competitiveness and innovation position.

#### 4.6. COMPANY F

COMPANY F was a start-up manufacturing business in 1995 with 8 people and has grown very quickly to where it is today with 200 employees and a turnover of £35 million. The company was originally a family business but the family chose to sell it to the management team in February 2006 so it is privately owned. The new owners invested over £3 million in capital equipment to create more capacity for its customers and the sectors that they are targeting. In 1998 they moved to a new site and were quality assured in the late 1990s.

COMPANY F is based in Sheffield which is renowned as a centre for steel excellence, although, steel manufacturing in Sheffield has significantly declined but there are still a number of specialist companies who are experts in the field. The company has two sites within a couple of miles of each other and is run by a board of directors (the Managing Director, Operation Director, Manufacturing Director and Finance Director). It has a middle management layer and a junior level where they interact with their teams on a daily basis. It does not design products or have ideas around their product; they manufacture other people's products for them, typically subassemblies. Hence they are a subcontract manufacturer. COMPANY F typically buys steel sheet, laser cuts them, bends and sometimes welds them into shapes that customers specify it. It has diversified in terms of the range of sectors that they supply and the customers that they service. COMPANY F's sales and marketing strategy is to target new sectors and new customers. However, they are in the middle of the recession so it is becoming more complicated to stay in business. COMPANY F tries to partner with customers and use innovative solution to help with design and that can in turn help them grow as a business. The Group Finance Director of COMPANY F commented: *(...We want to tap high growth markets because high growth market means that the business will grow on the coat tails of that growth industry and also the margins should be better in a high growth industry...)* (F.D.5.2).

COMPANY F serves the defence market where they manipulate pieces of armoured steel to make sides for armoured vehicles. They also supply high resistance steel to companies who make recycling vehicles. Moreover, they supply construction businesses where they make parts for diggers, JCBs and Caterpillar as well as for the rail sector and renewable energy sector, which is a

high growth area at the moment. They supply the UK, America and the Middle East and it is looking at acquisition opportunities, particularly in the US and Europe. COMPANY F wants to remain as a subcontract manufacturer and tap high growth markets. The vision throughout the company is to be a £250 million turnover business. The Group Finance Director of COMPANY F commented: *(...We do not innovate in the traditional sense. Our innovation is more, you know, how can we do things better. So, you are trying to do things better all the time...)* (F.D.8.3).

COMPANY F makes products that other people have designed so their understanding of innovation is to invest in more machines and do things better and quicker than the competition. However, the recession is making it a hard time to operate, therefore COMPANY F is trying to partner with its customers and help them in designing and solving problems to gain mutual benefits. COMPANY F have a "Sheffield traditional manufacturing" culture but their definition of innovation is different from the other companies hence it was useful to explore it. Company F is a key supplier to a number of industrial sectors building mutual benefits and trust in their relationships. It has its own attitude to management to improve its organisational competitiveness and innovation.

#### **4.7. COMPANY G**

COMPANY G is fully owned at the moment by R & R and was created specifically out of some specific work that they carried out within the R & R factories. The necessary equipment has now been installed in Sheffield in its own building, with its own workshop, in an effort to focus their ability to improve manufacturing within the current aerospace industry.

Originally R-R was taken into state ownership in 1971 as part of a financial rescue. The company had run-up crippling losses during the development of the RB 211 aero-engine. After 1971 the new state enterprise consisted of R-R aero and marine engine interests, while the manufacturing of Roll-Royce cars had been sold-off to the private sector. In November 1985 the government announced its intention to return Roll-Royce to the private sector and in December 1986 confirmation was provided that the sale would occur in the second quarter of 1987. Complete privatisation occurred in May of that year with the government retaining only a golden share to ward off an unwelcome

takeover bid for the UK's only aero-engine supplier. Also, foreign ownership was limited to 15% of the shares and until 1 January 1989 there was an identical limit on single shareholdings.

Today R-R is involved in the design, development and production of large gas turbine aero-engines used in military and civil aircraft, naval vessels and in industry. The company competes with the two much larger US aero-engine makers Pratt and Whitney and General Electric. Nevertheless the company has managed to improve its share of the world aero-engine market from 8 per cent in 1983 to 25 per cent in 1993. In 1998 R-R purchased a company primarily involved in engineering and project management with an emphasis on power generation (Martin and Parker, 1997, p40). In terms of size, COMPANY G has 8 people working as engineers in addition to two top managers. It has a manager who handles the day to day running of the department and the other is in charge of employment, workshop safety, stationary ordering, and health and safety. However, COMPANY G does not have what might be called any kind of well-defined structure.

COMPANY G is trying to find a middle road between high volume and low volume with producing new and different techniques and different approaches. So, it is not only trying to improve the manufacturing but also trying to get its designers to consider how a part is manufactured as part of the design, instead of designing parts only for fit, form and function. This is not a new idea but it is a new idea within aerospace manufacturing. The Training and Design Manager of COMPANY G commented: (*...We are currently working with two or three different potential venture partners and things are progressing along those lines...*) (G.G.1.5).

COMPANY G produces a unique product and its techniques allow them to produce them more quickly than traditional methods. Moreover, it allows them to produce tools that other people would find it difficult to manufacture. On the other hand, regarding customer service the company is always trying to get to the heart of the problem by talking to the end users. For COMPANY G the challenge is try and find a middle road ground between high and low volume so they will be able to offer their customers increased value for their money. COMPANY G is planning to continue working within the aerospace industry

where they are heading in the right direction in order to survive. The Training and Design Manager of COMPANY G commented: *(...We have demonstrated over the last ten to twelve years that there are considerable improvements to be made in finding this middle ground and if we can find that middle ground in more and more places, then what we will be able to do is offer our customers increased value for their money...)*(G.G.5.7).

COMPANY G is a very small company with its inspirational leader style and its "family" model of operations. It consists of a number of engineers and two top managers, so the company relies on their input to increase performance and succeed. It was therefore interesting to explore how they managed themselves in this complex market.

#### 4.8. Summary and Conclusion

The objective of this chapter was to introduce the reader to the seven companies involved in this thesis and to show why the author thought they were interesting to study in the context of this research. In the following chapters each of the research themes identified are explored in much greater detail to build a rich holistic picture of the capabilities that build organisational competitiveness and innovation.

## **Chapter 5: The Role and Contribution of Leadership**

### **5.0. Introduction**

The interesting themes that emerged from the literature in characterising how organisations build their capability to compete and innovate to serve customer needs in a frequently changing environment were identified as: the influence of leadership and top management, organisational culture and structure and the importance of relationships and collaboration. These three themes provided the basis of exploration for the analysis of the primary research carried out in the companies and is discussed in the following result chapters (5, 6 and 7). However, as shown in Chapter 2, much of the literature often seeks to have a limited exploratory model to explain good practice in small companies' competitiveness and innovation (De Jong and Den Hartog, 2007). The result chapters aim to expand on that and explore the behaviour of the studied organisations and whether other factors might be regarded by the respondents as significant influences too. In addition, Chapter 4 suggests that other factors, which might be regarded as additional or influencing, could also be significant, so suggesting that a more holistic view could be more appropriate. The discussion in this particular chapter concentrates on the role of leadership in organisational competitiveness and innovation. Taking a more holistic approach (see Chapter 3) guided the exploration in this research to be generated from evidence based on the participants' point of view.

The main aim of the chapter is to obtain a greater depth of understanding of the role of leadership in organisational competitiveness and innovation in SMEs. The challenge in this chapter is to explore the role of decision makers and top management in making a company competitive and innovative, the nature of their contribution in encouraging and discouraging others to achieve organisational competitiveness and innovativeness and the factors that influence their contribution, such as customer demand (Christensen, 2010), worker capability and motivation (Dobni, 2008) and shareholders ownership expectation (Kaufman, 2011). The thesis explores the possibility that whilst leaders are responsible for maintaining competitiveness (which is not just about

new products) they also have to consider a range of other issues that contribute to the whole organisational competitiveness.

In Chapter 2 the difference between management and leadership was explored however, the integration of the concepts is more considerable (Steers 2010 and McMillan 2010). The first section of this chapter deals with the need to explore and understand the difference between management and leadership within SMEs as this emerged as an issue when making a comparison between the studied cases. This exploration is to see how the two concepts (management and leadership) might differ and how they might overlap and interact in organisations to contribute to the enhancement of organisational competitiveness and innovation. Then looking at the role and nature of the contribution of leaders the aim is to address the gap identified in Chapter 2 that whilst the literature explores in depth the behaviour of leaders and processes for managing innovation, it is weaker in exploring the behaviour of leaders, particularly in small companies, in encouraging competitiveness and innovation more broadly throughout the organisation.

### **5.1. The Difference between Leadership and Management**

Northouse (2013) argues that leadership is a process that is similar to management in many ways but there is a difference between them. Management is about seeking order and stability; leadership is about seeking adaptive and constructive change. Jacques et al. (2008) argue that our understanding of leadership can be enhanced by the use of leadership skills and the difference in how they are used by project managers and other managers. Norrie and Walker (2004) cited in Jacques et al. (2008) argues that the concept of leadership is most relevant to these planning related stages of a project. In contrast, the execution stages of a project are related to classical management roles such as organising, resourcing, and matching individuals with roles. Some of the studied companies understand these skills and some do not understand the difference as they follow their organisational culture. Respondents in the majority of the SMEs studied explained that the more informal nature of the organisation meant that leadership and management boundaries of roles and responsibility were less clear than in larger more

structured companies, however, this varied between the organisations. Northouse (2013) confirms that although there are clear differences between management and leadership, the two constructs overlap. When leaders are involved in planning, organising, staffing, and controlling, they are involved in management. When managers are involved in influencing a group to meeting its goals, they are involved in leadership. Both processes involve influencing a group of individuals toward goal attainment. Leading and managing are not identical activities, although there is agreement with the general management theorist although that some managers are leaders and some leaders are managers (Zalesnik, 1977, cited in Jacques et al., 2008). Jacques et al. (2008) concluded that more research on project management as a subset of management is called for to identify more specifically the unique attributes of leader behaviour that relate to role performance and other effects these difference have on the project management process. Whilst this thesis does not aim to address this point the evidence from the respondent does provide some additional insights into the nature of management and leadership, specifically from the small companies' perspective. In this context, based on the evidence from NVIVO software analysis (see Appendix 6), it is useful to explore the difference between management and leadership as perceived by the organisations, considering both leadership and management as complementary in enhancing overall organisational competitiveness and innovation (see figure 5.1).



Figure 5.1: Leadership and management in organisations

Leadership	Management
<b>Commitment</b>	Disciplinary procedures are very clear very transparent it is oral warning, written warning and final warning and then they leave the company. It is enforced very strictly everybody knows no matter who you are so the policy is always enforced everybody knows where they stand all the time. <b>COMPANY B</b>
I think the leadership thing, the aspects on the day to day practical things in terms of setting priorities. <b>COMPANY C.</b>	
Strong leadership as far as innovation goes so the higher the level the leaders have to be behind it 100% not just half hearted; yeah the management needs to be there. <b>COMPANY D</b>	
Commitment	<b>Formal procedures</b>
<b>Very open minded.</b>	For example one of our customers is Pret-a-Manger and they have like a day where they invite us, so someone from <b>COMPANY A</b> goes and makes like sandwiches because they are using our bread to make sandwiches and see whether the bread fit for what they want it to do.
Learn about functional foods and the properties. <b>COMPANY A</b>	
<b>COMPANY A</b> managers and leaders also "go on like visits" to the customers so where our bread ends up.	
<b>Bring Ideas</b>	<b>Actions</b>
It would have been a gut feeling that the customer requires that product. They will then make that and if it then helps with other people then, great, but it was not specifically done for that. <b>COMPANY C</b>	We have full time Product Manager here whose goal is to look at what market need to offer in the next three years. <b>COMPANY C</b>
It's more of gut feeling thing to a degree, where the people who are in contact with people outside the company are seeing that there's change in the market or what people require and we need to be able to put that into place, to be able to service that requirement. <b>COMPANY E</b>	We are trying to give opportunities to our staff to maybe better their careers or understanding customer services. <b>COMPANY D</b>
Ideas Generation	<b>Product Creation</b>
<b>Proactive Leadership</b>	
Until we find out what the customer wants for example we have done some things with functional foods. <b>COMPANY A</b>	We do not get too many complaints because we listen to the customers and what they want. <b>COMPANY A</b>
I think you have to be proactive in that. <b>COMPANY E</b>	<b>Solving problems</b>
<b>Looking for Opportunity</b>	

## Personality & Networks Builders

One of our leaders also acts as a chairman of CENFRA as well so we have built up a relationship there and the robot has been facilitated by CENFRA as well. **COMPANY A**

So we have built up a relationship there and the robot has been facilitated by CENFRA as well. **COMPANY A**

### Opportunity Discoverer

### Opportunity Exploiter

## Resource Allocation

I think in general, leadership is about resource allocation. So it is about where you put the money to so if you are a business that had research and development department, you know, when do you invest in research and development rather than new manufacturing service and so on. COMPANY F, COMPANY

But in a way which we can filter out best ideas from everybody and be able to use them and make sure that things are documented to say because of this we improved by X amount percent or whatever. **COMPANY E**

### Resources providing

### Managing Resources

## Get People Talk

You don't generate new ideas by locking designers away in a lab. You get people talking. COMPANY B. All we are trying to do is to keep people interested. COMPANY G

Encourage people to become an expert or have a very substantial understanding of the issue is the best way to develop it. That is a very important part of the management process. **COMPANY B**

### Strategic Direction

▶

### Technical Information

## Letting people be creative

I mean you have things like intellectual property rights so you can safeguard your innovation but actually managing it and getting it out of people I suppose it is more to do with creativity and letting people be creative. COMPANY A.

So when you manage people it is not about controlling them, yes they have to do their everyday task but it is also I suppose you can only encourage people to have to think to have new ideas. Managing, it is like you cannot force someone to have an idea. COMPANY A

We tried to break down these barriers, give them responsibilities and ownership therefore they can flourish and have more control on what they were doing which were expand them and give them more self-belief and empowerment thus create an innovative culture within the organisation. COMPANY A

### Creating the Right Condition ^ ^ ^ ^ ^ ^ ^ ^ ^ ^

### Reflection on the Condition Available

### **5.1.1. Leadership Commitment and Formal Management Procedures**

All of the respondents strongly believed that a leader with strong commitment is needed to enhance organisational competitiveness and innovation, compared with managers who often follow up with formal management procedures to implement a project. The support of leadership by showing clear commitment could be crucial in organisational competitiveness and innovation where the required task is different and usually more challenging from following the formal everyday work procedures which are considered as being the management role. As the Marketing Manager of COMPANY D commented: (*... Strong leadership as far as innovation goes so the higher the level the leaders have to be behind it 100% not just half heart, yeah the management needs to be there...*) (D.D.41.1).

Cummings and Keen (2008, p67) argue that, "we think of commitment as composing the core of who we are, the way in which we express our being in the world over time from the stirring of our early aspirations through the achievements in our productive life to the consolidation of our final legacy. While people tend to hold a host of commitments that weave together as their lives progress, the commitments most pertinent to achieving and sustaining exemplary leadership form a trajectory from aspiration to legacy". It is interesting to find that Capon (2004) confirms the findings from the respondents, where he argues that to make a change charismatic leader needs to be strongly committed to the vision and prepared to bear personal risk and cost to achieve the vision.

Respondents seemed to positively suggest that leaders with strong commitment towards organisational innovation could be a key factor in enhancing leadership management. In other words, effective leaders encourage other stakeholders to work towards enhancing competitiveness and innovation in organisations. Managers appear to be concerned more with formal procedures in organisations and focus on the required routine tasks/jobs. As the Research and Development Manager of COMPANY B commented: (*...if we have sales staff who are not achieving their target we part company if we have in the assembly or in the manufacturing side people not careful putting processes together and are not following the procedures the product has always to follow a procedures they will be followed by disciplinary procedures...*) (B.D.12.2).

### **5.1.2. Leaders bring ideas whilst managers are concerned with actions**

Respondents felt that leadership skills play a key role in organisational competitiveness and innovation by bringing in and supporting new ideas to a company. Moreover, open-minded leaders may help in creating the environment of innovativeness and may contribute to new ideas creation. As the Human Resource Manager of COMPANY A commented: (*...leaders are open-minded. If people who actually work in the bakery come up with a new idea or want to suggest something or a different way of doing things then they will listen to that as well because they are the actual people doing the job but the main driving force comes from the leaders of the company...*) (A.S.9.5). Furthermore the Managing Director of COMPANY B also commented: (*...we like the openness. We also encourage people to come to see our company. We will show them all our technology. We share technology. We have no problem about sharing technology. We do not keep thing secret. We will put people in touch with people who helped us. It is very open...*) (B.D.22.2). The Business Development and Marketing Manager of COMPANY D commented: (*...we are constantly looking at ways that can help us make money...*) (D.D.6.5).

This supports the view in Chapter 2 that innovative organisations have leaders who collectively and individually combine skills (McMillan, 2010) and their roles in encouraging sharing knowledge across functions and understanding people's needs (Mohamed et al., 2004, Schein, 2004 and Joiner 1987). This complies with the findings of Kouzes and Posner (2002) who argue that leaders guiding a change should establish more relationships, connect with more sources of information and get out and walk around more frequently, since innovation requires more listening and communication than does routine work. The prevailing view of the cases studied is that, leadership seems to be about bringing and generating new ideas by being open to the world around them and not just being concerned with routines and actions. In other words, leadership is important to promote the environment of openness to get and generate new information/ideas from all stakeholders. Respondents from the study supported the view that leaders are concerned with ideas generation that can enhance the organisational competitiveness and innovation. It suggests that leaders should be open to the inside and outside world and encourage others to bring new ideas. Moreover, leaders can help in creating the environment of innovativeness

and they should be open to contribute to new ideas, to assist in the creation of potential new opportunities.

### **5.1.3. Leaders look for opportunities and managers solve problems**

The respondents confirmed that looking for opportunities and new ideas tends to be the leaders' concerns. In other words, leaders consider any new idea as a potential opportunity which can add value to an organisation and make profit, so the respondents felt that leaders should take the initiative to exploit new opportunities, while solving routine problems tends to be the concern of management. Furthermore, the leaders' role should be directed to find new information/ideas which may help in discovering opportunities that can be transferred to product/service in order to enhance a company's competitive position and contribute to its success. A contributory factor may be that leaders have greater opportunity to build external relationships that might lead to opportunities. However, some companies also empower managers to build external relationships in order that they seek opportunities too.

This is demonstrated by the Managing Director of COMPANY C who commented that (*...We have full time Product Manager here whose goal is to look at what market need to offer in the next three years...*) (C.N.5.5). The Human Resource Manager of COMPANY A commented that (*...Until we find out what the customer wants for example; we have done some things with functional foods so one of our leaders has been to China...*) (A.S.5.3). The Managing Director of COMPANY B also commented that (*...You do not generate new ideas by locking designers away in a lab, you get people talking...*) (B.M.10.3). The Cell Development Manager on COMPANY E commented that (*...In terms of leadership , it is more of gut feeling thing, to a degree, where the people who are in contact with people outside the company are seeing that there is a change in the market or what people require and we need to be able to service that requirement...*)(E.R.10.4). It is interesting to see that respondents confirmed that leaders regularly set the bar higher; they search for opportunities for people to exceed their previous levels of performance and the best leaders understand the importance of setting the bar at a level at which people feel they can succeed. Furthermore, the ability of leaders to discover and search for new opportunities could positively reflect on a company as whole to be competitive and innovative (Kouzes and Posner,

2002). The respondents appeared to confirm that looking for opportunity is a different action from solving routine problems. However, this should be the responsibility of everyone within the organisations.

#### **5.1.4. Leaders provide resources, whilst managers manage resources**

The respondents gave several examples suggesting that leaders provide resources to support the function of organisations. Managers manage these resources and make sure that actions are documented to improve organisational performance. This point of managing resources by managers has common characteristics with the previous point of following formal procedures in terms of leadership's job of providing resources and directing them to where they need to be allocated. The group Finance Director of COMPANY F commented: (*... Leadership is about resource allocation. So, it is about where you put the money to... So if you are a business that had a research and development department, you know when you invest in research and development rather than new manufacturing service and so on...*) (F.D.9.1)

Stamm (2009) confirms that leaders in organisations should take it upon themselves to actively seek ideas and listen to what people have to say inside the organisations as well as outside, since it is not enough to wait for people to come forward with their ideas. This study supports the view of Zaleznik (1977) cited in Northouse (2013) that leaders seek to shape ideas instead of responding to them and act to expand the available options to solve long-standing problems. Leaders should be responsible for providing solutions and resources to solve problems or to change. However, respondents contended that leaders should be responsible for providing the resources needed in organisations to make the change, while, the role of management is concerned with managing those resources. This point explains the findings about the significance of leadership's commitment, which was mentioned earlier. For example, if leaders are reluctant to provide resources or unable to, a negative environment might be created in the organisation which might affect the overall performance. The findings affirmed that one of the main differences between leadership and management, is that the responsibility of deciding in which direction organisations should go, is the leaders' role however, managers might be able to identify it and the areas that the resources should be allocated.

### **5.1.5. Leaders are concerned with strategic direction whilst managers are concerned with technical information**

Respondents expressed the view that leaders are concerned with strategic direction. In other words, leaders should be always concerned with the question of what is the future of their organisation, to find out and decide where it is heading. Whereas, managers are concerned with technical information to enable day-to-day tasks and jobs (see figure 5.1). This finding supports the literature review that leaders should constantly learn and look for new ways to grow and develop others and as a result enhance organisational competitiveness and innovation (Daft, 2008).

The leaders of COMPANY A are enthusiastic to find out about their industry future and respond to it, as the Human Resource Manager of the company commented: (*...When the director went to China, he just learnt about functional food and the properties so he decided to try and make some himself and develop the recipes and got those and they were nice...*) (A.S.6.1). The Group Finance Director of COMPANY F commented: (*... For us, the choice is really much simpler. It is how do we do things better? How do we attack maybe different markets?...*) (F.D.9.2). However, the immediate issues concerning the respondents, for example, energy, raw material prices and day to day operational requirements, require time and effort for finding and resources allocation, problem solving and decision making, in order to keep the organisation functioning.

Wah (1999) cited in (Daft, 2011) looked at the time executives in various department spend on long term strategic activities and found that 84% of finance executives' time, 70% of information technology executives' time, and 76 percent of operational managers' time is focused on routine, day-to-day activities. Wah's (1999) argument raises the importance of strategic thinking. This confirms the findings of this study that some managers are concerned with day-to-day operational requirements thus for leaders there is a need to spend more time on strategic direction. However, the findings suggested that because managers are trusted with managing day to day operations, they can contribute in identifying the strategic direction of organisations.

Daft (2011) confirms that top leaders are responsible for knowing the organisation's environment and considering what it might be like in 5 or 10

years time. As a result, superior organisational performance is determined largely by the choices leaders make. Carneiro (2008) argues that a positive psychological type of environment can be created by strategic leaders that know how to use their management skills, especially in businesses where products have a short life cycle and growth depends on new product innovation. The respondents are actively concerned with the strategic direction of their organisation and do not become hindered by the day-to-day work problems. This way of thinking might contribute to the enhancement of organisational competitiveness and innovation and help and encourage the creation of the right culture.

#### **5.1.6. The creation of the right conditions and reflection on the conditions available**

The findings from this study suggest that the role of leadership is to create the right conditions for competitiveness and innovation unlike management which operate within the conditions available (see figure 5.1). The respondents appeared to confirm that managing people is not about controlling people to do defined tasks, it should encourage them to create the right culture. The Operation Manager of COMPANY A commented: (*...We tried to break down the barriers, give employees responsibilities and ownership therefore they can flourish and have more control on what they were doing which expand them and give them more self-belief and empowerment thus create an innovative culture within the organisation...*) (A.M.21.5). The Marketing Manager of COMPANY D commented that (*...We are trying to give opportunities to our staff to maybe better their careers or better understand customer service...*) (D.D.8.2).

This supports the view of Kouzes and Posner (2002, p180) that, "the most important way leaders create this can-do attitude is by providing opportunities for people to gain mastery on a task one step at a time". Moreover, in a summary explained by Northouse (2013) the reason for the development of the path-goal theory is to explain how leaders motivate subordinates to be productive and satisfied with their work. It is a contingency approach to leadership because effectiveness depends on the fit between the leader's behaviour, the characteristics of the subordinates and that task. A leader can help subordinates by selecting a style of leadership (directive, supportive, participative, or achievement oriented) that provides what is missing for



subordinates in a particular work setting (Northouse, 2013). The respondents seemed more likely to engage in creating the right conditions by breaking down barriers, giving people responsibilities and ownership. All these concepts of culture, empowerment, ownership and its contribution will be discussed in more detail in the organisation and culture chapter that follows. The evidence from the data shows that, giving them more self-belief and empowerment to create an organisational innovative culture, contributes to the creation of new ideas and new products/services development.

Figure 5.1 above, suggests that management and leadership differ in some aspects, however, they work together as one of the ways to get companies to innovate. The leadership's commitment, open-mindedness, idea generation, exploration of opportunity, resource providing and creation of the right conditions are believed to be key role/contributions for leaders in the studied SMEs. However, there is something more that comes through, that leaders have roles to empower people and give more responsibility to create the right conditions for an organisation to shine and this will be discussed in the following section.

The objective of this section was to explore the role/contribution of leadership and management in relation to organisational competitiveness and innovation. Leadership and management was the first theme that emerged from the data analysis as a crucial element that must be considered in studying organisational competitiveness and innovation. First of all, the exploration reached some important findings regarding leadership management. One of the findings that this research would suggest is that leaders should create the right conditions and positively influence the strategic direction of organisations. Stamm (2009) in his journal article of "leadership for innovation" emphasises the need for strong leadership vision to support innovation. Carneiro (2008, p182) concluded that, "the success of innovation management depends on the stimulating climate to creative thinking, on the effective integration of ideas and results communication flows and on the adequate procedures of that way of managing". However, in order to be competitive and innovative companies should think of the two concepts of leadership and management not as a replacement to each other but instead, how they overlap and interact with each other to contribute to the organisational competitiveness and innovation

capabilities. As discussed earlier and stressed by Jacques et al. (2008) who concluded that more research is needed to identify the features of leader behaviour that relate to the organisation's performance. The following section looks at the story from a different angle to explore the specific role of leaders in more details to see what behaviour leaders should exhibit to develop the organisational competitiveness and be innovative.

## **5.2. The Role and Contribution of Leaders in Organisations**

The previous section concluded that the leaders of the organisations have a responsibility for achieving competitiveness and innovation for the organisation, but this requires them to balance the contribution of opportunity identification and exploitation as well as managing day-to-day operations. In this section the role/contribution/behaviour of leaders is explored in more details in terms of leadership effectiveness. In the studied companies the leaders were normally regarded as the directors and so the terms are used interchangeably to mean the same people. Their role/contribution is divided into three main sections. The first section deals with their effectiveness in organisations. The second looks at how their role is linked to efficiency. The third, deals with their contribution to achieve the necessary changes that are a consequence of the need to improve effectiveness and efficiency, and confirms that the main focus of the work of leaders is to identify new ideas and create the right conditions to compete and innovate. This is shown clearly in figure 5.1 of leadership and management in organisations.

### **5.2.1 The role and contribution of leaders in improving effectiveness in organisations**

In the literature review in Chapter 2, it was argued that a number of researchers' studies explored the influence of leaders' behaviour in relation to effectiveness and efficiency rather than innovation-related outcomes (De Jong and Den Hartog, 2007). However, others argue that appropriate leadership interact and influence the quantity and quality of creative work carried out by employees (Dooley et al., 2003), therefore, leadership needs to be more oriented toward development and change (Arvonen and Pettersson, 2002). The outcome of leadership effectiveness in organisational performance is often regarded as skilfulness rather than serendipity in management and business practices (Svensson and Wood, 2006). The respondents confirmed that there are a

number of leadership roles and particularly behaviours that influence an organisations' overall organisational competitiveness.

Svensson and Wood (2006) argues that there is a relationship between effectiveness of the leadership's decision making and business behaviour thus organisational performance is often explained by this suggestion. The respondents strongly believed that leaders should act honestly and with passion, which is key in the development of organisational competitiveness and innovativeness. They insisted that building trust with their fellow employees is a key to encouraging them to contribute to competitiveness and innovation of organisations.

Table 5.1: The role/contribution of leaders in organisations

<b>Effectiveness</b>	<b>Efficiency</b>	<b>Change</b>
Leaders act honestly.	They are the decision makers.	Commitment is a key.
Leaders' desire is a key.	Leaders responsible for employees' performance.	Leaders drive the company forward.
Leaders stimulating and inspiring.	Leaders establish projects.	Leaders make new ideas happen.
Leaders always challenge people.	Leaders invest in insuring that they have the capacity and the capability.	Leaders go out looking for new things.
Leaders encourage people to bring new ideas.	Leaders declare publicly information.	Leaders promote the culture.
Leaders give people ownership.	Leaders coordinate the training.	Leaders listen to others' ideas.
Leaders keep people interested.	Leaders reward people.	Leaders empower people.
Leaders have diverse roles.	Leaders make sure that they are complying with the law.	Leaders get people into the change.

The NVIVO software evidence showed the role of leaders (see Appendix 6) as one of significant themes resulting from the data analysis. The Training, Design and Innovation Manager of COMPANY G commented: (*...I think we avoid spin at all times and we try to be accurate with our assessments...*) (G.G.10.1). The Managing Director of COMPANY C commented: (*...The problem is without the leadership desire to push those projects it is easier to stay as where we are...*) (C.N.7.3). The Business Development and Marketing Manager of COMPANY D commented: (*...The Managing Director loves the word innovate and he is very passionate about doing it although innovation in itself is a weak word, it is what it means to that person I think. He is very passionate about us becoming a more innovative company...*) (D.D.9.1).

In general, honesty emerges as the single most important ingredient in the leader-constituent relationship, it was selected more often than any other leadership characteristic. Followers want their leader to be honest because their honesty is a reflection upon their own honesty (Kouzes and Posner, 2002). Furthermore, it is interesting to find that leaders' desire or enthusiasm is a significant element which is confirmed by Kouzes and Posner who say that if leaders display no passion for a cause, why should anyone else? They further argued that enthusiasm and excitement are essential, and they signal the leaders' personal commitment to pursuing a dream (Kouzes and Posner, 2002). The data from the respondents indicated that leaders' honesty and passion are crucial in motivating others and also honesty and desire are key roles in leadership management to create organisational competitiveness and innovation.

The respondents encourage the view that leaders should stimulate and inspire people in organisations and always challenge people to encourage them to bring new ideas that might add value and contribute to the success of the business.

The Managing Director of COMPANY B commented: (*...That is also brings in satisfaction, we're renovating, bringing in new ideas. It keeps the place fresh, keeps the place exciting, gives people something to look forward to, not just making the same old thing they were making 10/15 years ago...*) (B.M.8.10). The Business Development and Marketing Manager of COMPANY D

commented: (*...I think we are doing everything we can or at least trying to do everything we can to ensure everyone involved in making the company run is treated with the best resource and knowledge base and communication...*) (D.D.30.4).

House and Javidan (2004) cited in Northouse (2013) argues that the kind of leadership which includes being visionary, inspirational, self-sacrificing, trustworthy, decisive and performance oriented is charismatic/value-based leadership and reflects the ability to inspire, to motivate and to expect high performance from others based on strongly held core values. In terms of challenging people, the Operation Manager of COMPANY F commented that (*...The role of the leadership is, well, ultimately to make the company as profitable as possible, and keep the people employed at the most profitable...*) (F.A.6.2). The Managing Director of COMPANY B confirmed that: (*...it is vital. It is my job and the job of the executive board to always challenge people and encourage people and reward people for bringing new ideas to the table...*) (B.M.8.1). The Training, Design and Innovation Manager of COMPANY G commented: (*...leadership for innovation is, you speak as you find, and you encourage people to do things rather than talk about things...*) (G.G.10.5).

Carneiro (2008) argues that strategic leaders have to integrate knowledge, innovation challenge, and the needs of change to obtain a better capacity to stimulate innovative efforts, motivate their collaborators and to be able to build up a better level of innovative contribution. The respondents confirmed that, one of the directors' roles is, that they should always stimulate and inspire people in organisations to encourage and challenge them to participate in ideas generation and in building organisational competitiveness capability. Respondents expressed the view that leaders give people ownership and keep them interested in what they do. In addition, leaders do diverse role in organisations which add value to their roles as a whole and it shows the significance of their roles in organisational competitiveness and innovativeness.

The Operation Manager of COMPANY A commented: (*...we tried to break down the barriers, and give people responsibilities and ownership therefore they can flourish and have more control on what they were doing which was to expand them and give them more self-belief and empowerment and thus create*

*an innovative culture within the organisation...)* (F.M.21.5). The training, design and innovation manager of COMPANY G commented: (*...all we're trying to do is to keep people interested, make them aware that they're in control...*) (A.G.13.4).

The respondents' view confirmed the conclusion made by Albrecht and Andreetta (2011, p234) about leadership behaviour which influence stakeholders performance in organisation. They concluded that, "when employees perceive that their leaders and managers have an empowering style of leadership they will feel empowered. Such feelings of empowerment will lead employees to feel motivated and engaged and also lead to feelings of connection and belongingness to their organisation. Furthermore, when employees experience such affective commitment they will be less inclined to entertain thoughts of leaving the organisation. Overall, the findings suggest that empowering leadership, empowerment and engagement provide the enabling conditions for employees to experience affective commitment and the propensity to stay engaged in their organisational context". The evidence from the respondents support this point, in that leaders should give people ownership and responsibility (see Chapter 6) in order to keep collaborators interested in what they do and as a result they will react positively to organisational competitiveness and innovation. Respondents strongly believed that leaders have diverse role in organisations in the development of organisational competitiveness and innovativeness. The following section explores another aspect of a leaders' roles in developing efficiency in organisations, that of contributing to efficiency.

### **5.2.2. The role and contribution of leaders in improving efficiency in organisations**

As discussed in Chapter 2 innovation is not solely concerned with technological breakthroughs (Sullivan and Dooley, 2009). It could be incremental, radical product/service focused by redesign or process focused where organisational processes are modified (Hislop, 2005). How environmental conditions can change; how the organisation can adapt or embrace change; and how these changes are communicated to individuals (both inside and outside of the organisation) need to be appreciated by senior management (Nwokah, 2008). Therefore, there will always be pressure on senior managers to increase

efficiency, increase co-ordination and to achieve cost effectiveness (Breeding, 2000) cited in (Nwokah, 2008, p25). Respondents suggested that leaders are the main decision makers in organisations and they are also responsible for employees' performance to enhance organisational competitiveness and innovation.

Thus the Business Development and Marketing Manager of COMPANY D commented: (*...The leaders will always have to have the end decision as they know all the financials of the company, the overheads the costs to buy things in...*) (D.D.17.1). In terms of leaders' responsibility for employees' performance, the Managing Director of COMPANY B commented about their roles is that: (*...it is making sure our employees are safe and content in their work...*) (B.M.8.9). The Business Development and Marketing Manager of COMPANY D commented: (*...I think the main pivotal person within the company to inspire innovation has to be the leaders and if they're perceived by their staff to be welcoming and there to discuss new ideas the staff will take them their ideas...*) (D.D.15.2). The Sales Director of COMPANY F commented that leaders' role is to: (*...make employees feel as though they're part of the team and recognise their efforts in the success of the company...*) (F.K.6.4).

This is explained by Barrett (2010) that if the organisation's culture is open and employees are encouraged to challenge each other and even the leaders, then the attendees in meetings for instance will be expected to speak out and be involved in a process that builds to a vote or a consensus decision, which the leader then accepts. On the other hand, if the organisation is very hierarchical and decisions come from the top, meeting attendees will expect to wait for the leader to make the decision.

Cummings and Keen (2008) confirmed that it is obvious that leadership is also about taking decisions but that does not mean that this is a straightforward process. It involves significant risks; risks in making the wrong decisions, as well as risks by not making decisions. So, it is not just about making decisions, but making the right decisions at the right time. Ladkin (2010, p72) argues that, "during periods of planned change, leaders must navigate a course between the unknown and the day-to-day realities of their followers in a way which means followers do not get left behind". The respondents clearly indicated that, leaders

are believed to be the final decision makers and also they should be responsible for employees' performance to enhance an organisations' competitive position. This confirms the key role/contribution that leaders play in creating organisational competitiveness and innovation.

In addition, respondents affirmed that leaders are responsible for establishing projects and ensuring that they have the capacity and capability. They have another significant role in declaring information publicly to improve understanding as well as managing employees' performance. In terms of providing information, the Managing Director of COMPANY B commented that (*...we declare publicly how we are doing, we divulge sales, we divulge profits, and we divulge the percentage of sales of products which are three years old...*) (G.M.8.5). This point is discussed in more detail in the section on the relationship between leaders and employees in the organisation and culture chapter.

It was also confirmed by the Managing Director of COMPANY C, who commented: (*...the role of leadership is establishing the projects and controlling them...*) (C.N.7.1). The Managing Director of COMPANY D commented: (*...The role of leadership is providing the facility that we have got for us for COMPANY D...*) (D.P.8.1). The Cell Development Manager COMPANY E commented: (*...On the bigger scale things, such as buying new machines or that sort of stuff, then the senior management will do, perhaps, a discount cash flow on what they believe is going to be the benefit of buying that machine, perhaps and I think that's how it's done on a bigger scale...*) (E.R.13.7).

Barrett (2010) states that corporations in many areas of the world are feeling the pressure to make their organisations more transparent and to provide more information freely to the public at large, which is affected by the rise of social media. Respondents expressed the view that, leaders are responsible for establishing projects and insuring that they have the capacity and capability to accomplish them. They also have another significant role in declaring freely, information to stakeholders to improve the position as well as enhance their understanding of organisation's competitiveness.



Successful leadership, however, encourages people to work together in order to achieve the project objectives in potentially difficult work environments. They convince people of the need to change, stimulate new ways of thinking and problem solving (Keller, 1992, Anantatmula, 2010) cited in (Nixon et al., 2012). Cummings and Keen (2008) argue that leaders must project their presence and influence throughout the enterprise by being alert and responsive to the organisation's story, history, values and its people, thus leaders must do more than face tough decisions about their enterprises.

In this study respondents felt that leaders coordinate training for employees in organisations as well as reward people in order to encourage them to participate in enhancing organisational competitiveness. They also make sure that they are compliant with the law. The Training, Design and Innovation Manager of COMPANY G commented: (*...my role really is the training and the technical leadership for the design and the innovation...*) (G.G.3.2). The Research and Development Manager of COMPANY B commented: (*...we have got a training manager who coordinates the training and the training for new starters all sundry operations and right throughout the organisations...*) (B.D.13.2). For example, a factory must train employees immediately, get them involved, and get the support of top management in order to succeed in using multi-skilled employees (Derouen and Kleiner, 1994). The Sales Director of COMPANY F commented: (*... the role of leadership is to motivate people and reward them...*) (F.k.6.2). The Human Resource Manager of COMPANY A commented: (*... I suppose new laws and things that come in at my side, it is very challenging to stay up to date and to make sure we are complying, that is part of my role as well...*) (A.S.3.4).

As an example, leaders at Pizza Express successfully apply the two-factors theory to provide both hygiene factors (working conditions, pay and security, company policies, supervisors, and interpersonal relationships) and motivators (achievement, recognition, responsibility, work itself, and personal growth), thus meeting employees' higher and lower needs. It is a formula that created happy, motivated employees and a successful organisation (Daft, 2011). Appelbaum et al. (1998, p297) argue that "the ability of any organisation to motivate

individuals whether they have an external or internal locus of control, to superior levels of performance is closely related to their reward systems". The respondents supported the view that leaders coordinate training for employees in organisations as well as rewarding people and motivating them, in order to participate in enhancing organisational competitiveness. They are also responsible for ensuring that they comply with the law. The following section explores the third column of table 5.1 which presents the role of leaders in making organisational change.

### **5.2.3. The role and contribution of leaders in leading organisations' change**

This section studies the role of leaders in organisational change. That is, it explores the influence of leaders' behaviour in organisational innovativeness by adapting to the organisation's changing environment and as a result contributing to the organisation's success. Yukl (2001) cited in Michaelis et al. (2010) argues that organisations are introducing more innovations in technology and business practices than ever before, to respond to today's globalised environment. Nalore-Winter and Kleiner (1993) argue that a condition for leaders is to love change but this does not mean change for change's sake, but rather because change is essential, it is the driving force behind truly successful and excellent companies. Respondents confirmed the literature (Santora, 1992) that leaders' strong commitment is key to organisational change and innovativeness. In other words, leaders should drive organisations forward and their role should be directed to make new ideas happen, so the need to manage change appears to be a consequence of this. In terms of managing change in organisational innovation, the Managing Director of COMPANY B commented: *(...you have got to have passion and drive from the top because if it is not driven by the chief executive and chairman it will not happen...)* (B.M.33.7) The Managing Director of COMPANY C commented: *(...I see the leadership about me and Paul in particular is when we were making changes to improve either the manufacturing or designs, it is up to us to really make those projects happen and that is a key because people do not necessary like to change...)* (C.N.7.4). However, change involves perhaps different working patterns, procedures and responsibilities so this represents a challenge to the employee and requires leadership that is committed to change.

The Business Development and Marketing Manager of COMPANY D commented: (*...The Managing Director is very passionate about us becoming a more innovative company and he's pushing it forward so definitely the management are being it...*) (D.D.9.1). The Technical and Sales Manager of COMPANY E commented: (*...I think it has to be driven from the top because without commitment from the top management it isn't going to work...*) (E.N.14.1).

The Human Resource Manager of COMPANY A commented: (*...leaders listen to other people's ideas because they are open minded if people who actually work in the bakery come up with a new idea or want to suggest something or a different way of doing things than they will listen to that as well because they are the actual people doing the job but the main driving force comes from the leaders of the company...*) (A.S.9.4). The Research and Development Manager of COMPANY B commented: (*... We have commitment through either the resource of the staff and the budget to innovate and that comes from the board...*) (B.D.27.7).

Leaders are responsible for performance beyond expectations because they transmit a sense of mission, motivate workers, learning experience and inspire new and creative ways of thinking (Bass, 1990) cited in (Michaelis et al., 2010). Therefore, through significant change processes such as the implementation of new technologies or practices, transformational leadership may be particularly important for leading organisations (Michaelis et al., 2010). Transformational leadership transforms followers to be more open to organisational change (Bommer et al., 2005) cited in (Michaelis et al., 2010). Kool and Dierendonck (2012) emphasise that leaders are more likely to create an environment that helps their followers to embrace change in a positive way if they are able to combine servant leadership with contingent reward. This emphasises what kind of interaction that leader should adopt by involving all stakeholders in organisational innovation. Cummings and Keen (2008, p44) argue that "leaders who sustain enduring commitment and keep themselves robust and flexible in facing an uncertain, changing world of multiple landscapes, have either learned how to trigger their own rebalancing as a reflex or have learned to trigger rebalancing more consciously through means they can access when they sense the loss of balance". Respondents supported the view that leaders play key role

key in organisational change and innovativeness. Moreover, leaders should drive organisations forward and involve all stakeholders in enhancing organisational competitiveness and innovation.

The respondents confirmed that leaders should go out and look for new ideas. Furthermore, they should promote the culture of innovation in order to create an innovative organisational culture. The Operation Manager of COMPANY A commented: *(...I had 12 foreign trips including China, Holland, Germany, Sweden, Denmark, Austria, doing various different things, you know and we're asked to speak in a conference as a guest speaker on world food innovation forum. We are always doing different things we bring a lot back into the business from that, that's what we do...)* (A.M.19.3).

It appears to show that witnessing the problem, engaging in events that discuss leading edge thinking and environmental challenge, share learning and having the right information by visiting and going out, could add value to organisations as well as the specific product/services development and the products /services improvement. As the research and development director of COMPANY B commented: *(...I went to France and Germany last week just to see some techniques which is some other things that we were doing some of the photographs there. So when they had to explain it to me here, I thought that I knew the problem but when I went to the country I realise that I did not know the problem and it was a different problem and only by going there and looking and being involved were we able to come up with better products...)* (B.D.26.2). The Product Manager of COMPANY C commented: *(...I'm not going to get that information just here sat at a desk, looking at a computer. Need to be out, in Europe and in the UK with customers, trying to find out what they currently have, what they currently need...)* (C.J.27.2). The Cell Development Manager of COMPANY E commented: *(...Basically, we've got a very charismatic Managing Director , V, who will always be looking to try out new things and do different things to really try and improve the company. He goes out and sees a lot of different companies and sees what they're doing and comes back with ideas which he will start off...)* (C.R.10.1). The Research and Development Manager of COMPANY B also commented: *(...Everybody is available to input into the growth of the company. As managers we encourage we promote the culture...)* (B.D.8.6).

This confirms the findings of this study that ideas can come from different sources (see Chapter 7). Many of the best and most innovative products, services and their inspirations for co-operation come from new and varied sources, thus, corporations are now in an ideas-to-market race (Fowles and Clark, 2005). "Innovation is approached in a systematic way, gathering ideas from the entire organisation as well as from suppliers, customers and other partners" (Kantabutra and Avery, 2011, p34). When things go wrong we blame the leader, it is convenient, tempting and lazy, thus, dysfunctional organisational workings are a result of personality clashes, ego-centric behaviour, excessive narcissism, dictatorial and intimidating behaviour etc. The real surprise though is that leadership and organisational failures may occur just as much from organisational and contextual factors as they do from factors primarily associated with the behavioural dynamics of those in charge (Walton, 2011). Respondents strongly believed that leaders are responsible for ideas generation. In other words, they should go out to look for new ideas and also promote innovative organisational culture in order to enhance organisational innovation.

The respondents insisted that leaders should listen to others' ideas and empower people as well as get people to buy into the change of organisations in today's organisations competitive environment. As the Human Resource Manager of COMPANY A commented: (*...Leadership will listen to other people's ideas because they are open minded...*) (A.S.9.4). The Research Development Manager of COMPANY B commented: (*...We encourage the forward thinking in all staff so all staff if they see anything; any idea is listened to from the staff...*) (B.D.7.1). The Business Development and Marketing Manager of COMPANY D commented: (*...As daft as it sounds it is your ears, the best way to communicate is to actually listen...*) (D.D.29.1). The Cell Development Manager of COMPANY E commented: (*...I suppose that's, to a degree, listening to the customer and saying, what would you like? and, we have been able to put that in place...*) (E.R.16.9).

Another strong suggestion by respondents is that leaders should empower people and delegate more responsibilities for them to shine. In this context, the Operation Manager of COMPANY A commented: (*...I am on the board of*

*governors at Barnsley College and new principles come and a new thing that we have done is given the head of the department more responsibilities...)* (A.M.21.4). The Cell Development Manager of COMPANY E commented: *(...The Managing Director delegates to various people to carry out jobs to try and improve the business...)* (E.R.10.3). The Group Sales Director of COMPANY F commented: *(...The role of leadership is, right from the top managing leader to my area, which is sales, and across the business, is to empower people...)* (F.K.6.1).

The Works Manager of COMPANY C commented: *(...You do not want to be pushing people to change; you want them to want to change. You need the management team not just the top management team but the middle people to all buy into it and all believe it...)* (C.P.7.10). The Group Sales Director of COMPANY F commented: *(...I think it's important to do research, secondary and primary research in terms of the innovative product and, obviously, with any business decision it's key that you get the buy in of the employees...)* (F.K.23.6). The respondent expressed the view that delegation and giving more responsibilities to employees, plays a key role in organisational competitiveness and innovation.

This is consistent with Nalore-Winter and Kleiner (1993) who confirm that the manager should encourage a high level of employee involvement and seek methods to motivate people in the company. The effective leader should promote innovation and leave room for people to fail as well as succeed. Involvement and collaboration with relevant stakeholders make it possible for project members to experience the benefits of collaboration which ultimately leads to buy-in. Without buy-in, project leaders are forced to rely on a directive approach and, as a result, often experience stonewalling and sabotage. On the other hand, when an inclusive approach is taken, participants develop a sense of shared ownership over the strategy, implementation tactics and any problems or issues that may arise. Because their opinions and ideas were incorporated into the plan, team members are more willing and committed to making the plan work (Kaufman, 2011). Nalore-Winter and Kleiner (1993) concluded that the leader must manage both the internal and external environment of the organisation. The external factors are customer responsiveness and innovation

and the internal factors are empowering people and leadership. The effective leader must recognise that the world is in constant change and develop a style of management that can seize the opportunities that come with change. Respondents supported the view that leaders should listen and recognise others' ideas and empower people as well as get people to buy in to the change of organisations in today's environment of constant competition. The following section explains the role of leaders in building organisational competitiveness and innovation.

### **5.3. The Role of Leadership in Building Competitiveness and Innovation Capability**

The analysis in this section explains the nature of leadership and its role in building organisational competitiveness and innovation in the SMEs studied. The nature of leadership is underpinned by a leaders' personal commitment, desire and inspiration and these all have been shown to be important in building organisational competitiveness and innovation. The analysis developed insights into leadership capabilities as well as offering a greater understanding to the role of leaders.

By reflecting on the responses of the respondents and the company case studies discussed in chapter 4 it emerged that the SMEs studied are to some degree in a transitional leadership and management state. They are between being new, informally managed entrepreneurial companies that are dominated by the leadership approach of their founder and a large, formal, well-structured organisation with much more clearly defined leadership and management responsibilities. A numbers of the companies (COMPANY B, COMPANY E and COMPANY G) still have the founder or inheritor entrepreneur working in the company, albeit in a less prominent role. However, all the companies have moved to a greater or lesser extent towards a more shared, dispersed leadership and management responsibilities. The literature appears to focus particularly on early stage entrepreneurial leadership or large formal company leadership and management and less so on companies such as those studied that appears to be in a transitional state. The individual external environmental conditions and internal situations that exist in the companies and their ownership vary and their progress towards a more formal structure differs. This means that the leadership and management approaches adopted in these

SMEs will take into account a large number of influencing factors, and hence a more holistic approach is needed in developing theories to explain their behaviours.

Organisational leadership is about how interaction between defined concepts of leadership and management happens (as presented in figure 5.1) depends on the definition of each concept within organisations. However, in this thesis the concepts are defined according to the studied SMEs towards creating a culture of innovation. Kotter (1990) cited in Northouse (2013, p13) contended that both management and leadership are essential if an organisation is to prosper. For example, if an organisation has strong management without leadership, the outcome can be stifling and bureaucratic. Conversely, if an organisation has strong leadership without management, the outcome can be meaningless or misdirected change for change's sake. To be effective, organisations need to nourish both competent management and skilled leadership (Northouse, 2013). Jacques et al. (2008) argue that successful leaders use multiple rather than one leadership style to bring about the desired results from followers in a given situation. Kansikas et al. (2012) argue that entrepreneurs in different contexts, such as industry, business ideas and culture are able to create a leadership style which enables them to survive in a situation where resources are scarce. Thus, entrepreneurial proactive leadership is needed in coping with uncertainty.

The theory generated, emphasises that even though the role of managers and roles of leaders have differences, they do interact and overlap to shape the leadership capability in order to influence the overall organisational competitiveness and innovation. In the studied cases, it appeared that leadership is about the commitment and inspiration of people by organisational leadership but also that it requires the role of management in how they are organised.

The leadership capability is believed to play a crucial role and contribute in enhancing organisational competitiveness and innovation (see table 5.1). Respondents suggested that leaders are the change leaders and through their leadership skills stimulate and inspire people to bring new ideas. They are the strategic decision makers, so their commitment is a key. For example, defining strategic direction in the studied companies is the role of leaders but managers



do participate in that. Leaders must also empower people and being open to new ideas, encourage an innovative culture within the organisation. The following Figure 5.2 shows how leaders contribute in building competitiveness and innovation capability.

Figure 5.2: The role of leadership in building competitiveness and innovation capability

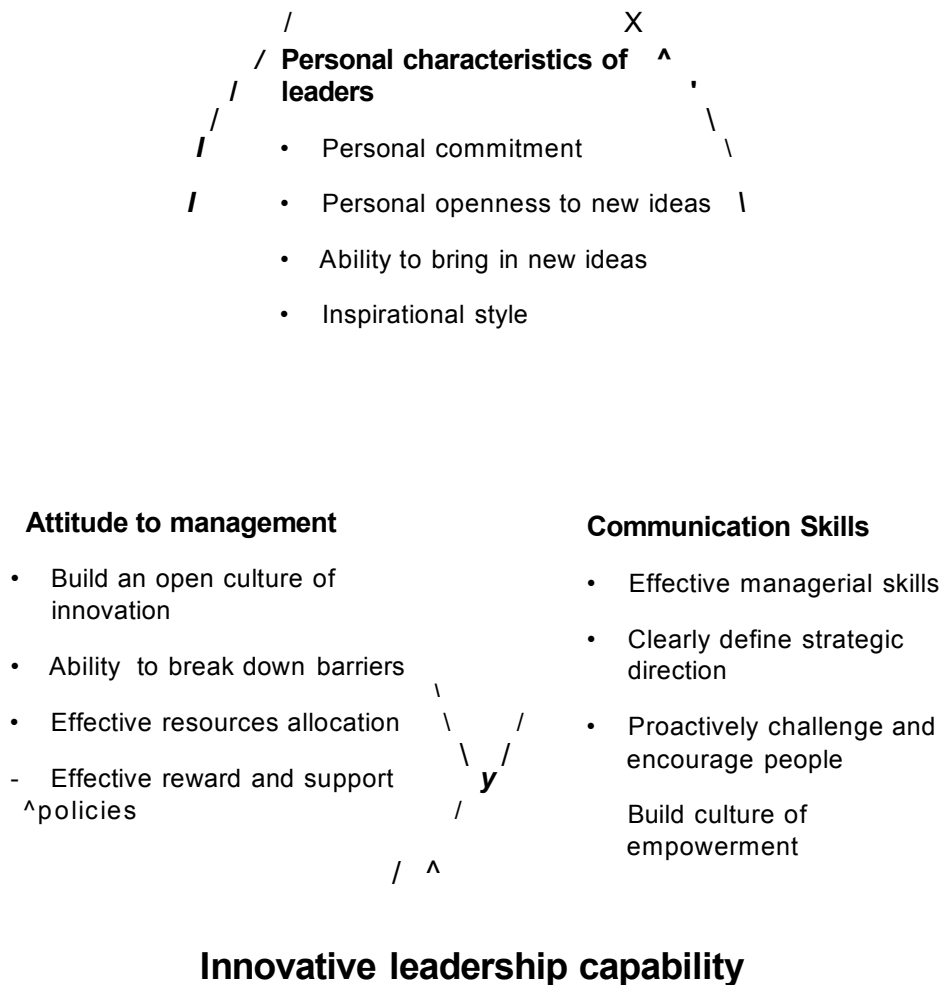


Figure 5.2 explains the role of leadership in building organisational competitiveness and innovation capability. It emphasises the significance of personal characteristics of leaders such as personal commitment, personal openness to new ideas, ability to bring in new ideas and their inspirational style in building innovative leadership capability. It explains the importance of leaders' attitude to management by building an open culture of innovation, the ability to break down barriers, effective resources allocation and their reward

and support policies in innovative leadership capability construction. Figure 5.2 clearly stresses the significance of communications skills of leaders in building innovative leadership competence by their effective managerial skills, defining strategic direction, proactively challenging and encouraging people to bring new ideas and building a culture of empowerment. The analysis suggests that personal characteristics, attitude to management and communication skills of leaders influence innovative leadership capability in organisations.

The analysis confirmed that strong innovative leadership is a main driver. Innovative leaders look for new ways to make profit by looking for what the market need in the future. Innovative leaders engage with people for new ideas and give more self-belief to encourage them in forward thinking and empower them to create an innovative culture. In other words, innovative leaders encourage people to do things and make them want to change rather than simply talk about them. Leaders must break down barriers and make people part of an organisational team to develop an innovative leadership capability and also create the culture of innovation within organisations.

#### **5.4. Summary and Conclusion**

This chapter suggested that leadership and management are two functions complementary to each other and they should not work in isolation which confirms the work of (Northouse, 2013). One of the interesting insights to emerge from the data analysis is the nature of the role of leadership and its influence in organisational competitiveness and innovation. This section of the exploration explains a number of roles that leaders carry out when they compete and innovate (see figure 5.2 of the role of leaders in building competitiveness and innovation capability).

The analysis strongly suggests that the interaction between the roles of managers and leaders is a key element in enhancing organisational competitiveness and innovation. Furthermore, it revealed that leaders' personal characteristics, attitude to management and communication skills are significant. In other words, leaders' commitment and inspiration, personal openness to new ideas and clearly defining strategic direction are suggested as key factors in innovative leadership capability building towards competitive and innovative organisations.

However, organisational competitiveness and innovation is more than just strong leadership management. The discussion in this chapter attempts to raises the question, "is it just the role of leadership and entrepreneurs to make companies competitive and innovative or is a holistic approach needed?" Therefore, the following chapters study the other components, such as organisational culture and structure, and organisational relationships and collaboration to draw the complete picture and gain a better understanding of competitiveness and innovation in organisations.

## Chapter 6: Organisational Culture and Structure

### 6.0. Introduction

The aim of this chapter is to explore the influence of culture on organisational competitiveness and innovation in SMEs. Culture is widely studied in the literature as well as its impact on performance. Views differ in terms of organisational competitiveness and innovation and also its effectiveness with regard to a supportive culture and unsupportive culture (Jaruzelski et al., 2011). As previously stated Jaruzelski et al., (2011) argue that according to the results of global innovation 1000 study the world's biggest spenders on research and development has reaffirmed that in each of the past seven years there is no statistically significant relationship between financial performance and innovation spending in terms of either total research and development dollars or research and development as a percentage of revenues. However, companies with both highly aligned cultures and highly aligned innovation strategies have 30% higher enterprise value growth and 17% higher profit growth than companies with low degrees of association.

The literature proposes that culture comprises so-called 'hard' and 'soft' elements and these are discussed subsequently in the chapter according to the themes that emerged from the respondents' responses. The starting point for the chapter, however, focuses on a striking theme that emerged from the research, rather than the literature, which the respondents recognised as a key influence on the culture of their organisations, that is the ownership structure. The definition of ownership, based on Longman dictionary (2003) is "the fact of owning something". Rousseau and Shperling (2003) argue that ownership as a concept is complex; it can be divided and disaggregated in many ways. It can be split among individuals or entities who share legal rights to the property. Ownership brings with it several subsidiary privileges. Respondents suggested that because the majority of the studied companies were family oriented companies or employee-owned then it is different from big organisations with well-defined and contractual jobs. Table 6.1 shows the ownership structure as well as the organisational structure and also describes the organisational culture of the studied companies.

## 6.1. Contractual and Covenance

Research on governance in the literature has mainly examined large, publicly held companies, such research and concentrates primarily on the role played by boards of directors or on other contractual practices designed to protect shareholders interests. In contrast, more recent research, also attempts to understand governance in the privately held (and often family owned) companies (Uhlener et al., 2007a) cited in (Berent-Braun and Uhlener, 2012). Family companies play a significant role in emerging and developed economies in terms of GDP growth and employment (Carragher, 2005; Carragher and Carragher 2006) cited in Rodriguez (2009). In Britain, 75% and in the USA 80% of all companies are family-owned or controlled business, while referring to family companies' presence in European countries, common estimates include the following: France, 60%; Germany, 60% in 1995 and then 84% in 2000; The Netherlands, 74%; Portugal, 70%; Belgium, 70%; Spain, 75%; Sweden, 75%; Finland, 75%; Italy, 80%; Greece and Cyprus, 75-80% (Gersick et al., 1997) cited in (Rodriguez, 2009).

"The Conservative government focused on the perceived need to restore to management the right to manage within the traditional system of industrial relation. Worker organisation was weakened by unemployment and by anti-trade union legislation. However, the failure of this strategy to stem the decline in UK competitiveness helps to explain why, especially during the 1990s, more and more companies have been re-assessing their HRM strategies and turning to more co-operative forms of work organisation. Following this trend the new Labour Government elected in 1997 endorsed labour-management co-operation and partnership as an effective approach for improving economic performance" (Deakin et al., 2001, p6). The NVIVO evidence highlighted the studied companies' culture (see appendix 7). This study explores the ownership structure's influence on culture and the respondents confirmed that one of the key elements is to organise relational human resources within SMEs and this should be different from big companies (see table 6.1). As a result, people within an organisation should positively contribute to enhancing organisational competitiveness and innovation. As the Research and Development Manager of COMPANY B commented: (*...the model that put through the company to give*

*them; it is our company, it is our shares, it is our profit and everybody is feeling the ownership in the company...*) (G.D.7.13).

Table.6.1. Organisational ownership, structure and cultural descriptors of the studied companies.

Family business	Hierarchal	Self-critical cultural
Employee owned	Flat/Democratic	Democratic culture
Self-contained unit	Functional	Open free culture
Privately owned	Hierarchal	Upstairs downstairs mentality
Family business	Functional	Task orientated culture
Privately owned	Hierarchal	Traditional culture
Privately owned	Functional	CVAP philosophy

Responsible ownership is defined as active and long-term commitment to the family, the business and the community, and balancing these commitments with each other (Lambrecht and Uhlener, 2005) cited in (Berent-Braun and Uhlener, 2012). The more intangible assets provide a basis for a company's wealth, the more the company's competitive advantage rests on how effectively its human, intellectual and relational assets are used (Pfeffer, 1994) cited in (Rousseau and Shperling, 2003, p558). Table 6.1 is based on the participants' responses. It explains organisational ownership, structure and cultural descriptors of the studied companies and how they differ from one company to the other.

The original selection of the companies' sampling discussed in Chapter 3 did not use "ownership model" amongst the selection criteria. The majority of the studied companies are privately owned businesses (see table 6.1). However, whilst the main goal of this research was to see how they innovate and compete, one of the striking points was that the ownership structure emerged as a concept from the data analysis and its influence in shaping the organisational culture toward an innovative organisation was significant. As the

Research and Development Manager of COMPANY B commented: (*...So the whole organisation is driven to think because it is our company we feel a sense of ownership not just a number on a job card...*) (B.D.7.16).

This is confirmed by Rousseau and Shperling (2003, p 564) who conclude that, "to successfully start new companies or enhance growth in existing ones, workers must generate value greater than their current compensation. Sharing ownership privileges can provide appropriate incentives to generate this value, particularly among highly skilled workers contributing substantially to the company's competitive advantage. Bundling equity and profit sharing with financial information and participation in decision making can enhance worker contributions to the company by creating employment relationships based on congruent psychological contracts. Such a bundle can form the basis of trust and aligned interests between workers and employer."

Table 6.1 shows the types of ownership of the studied cases. Despite that all the companies are privately owned, only one company is adopting an employee ownership model (COMPANY B) but others have different forms of ownership. Thus, the focus of this result chapter will put more weight on the subject of ownership structure (family and employee ownership) and how it is different from contractual based, formal structures. Two of the studied companies are family businesses (COMPANY A and COMPANY E) and were inherited from one generation to another within the same family. Some family members sold out and some of them still run with the same family. The rest are small privately owned companies. Rouvinez and Ward (2005) argue that family business is the most common form of business through all of history, however only recently has the world begun to recognise the significance and uniqueness of the family-controlled company.

Respondents confirmed that they benefit from being small and because of their family orientation. As the Works Manager of COMPANY C commented: (*...It is about setting the vision the idea, this is where we need to be because then we will be a better company, it just will be safer and we will be earning more money and so on...*) (C.P.7.11). The Operation Manager of COMPANY A commented: (*...Strategically we want to grow the business at probably half a*

*million to one million pounds per year and obviously remain the family business and continue on the future...*) (A.M.5.2).

Family companies are pervasive, they perform, contribute and they last, so the world is just beginning to realise that. However, it is helpful to recognise that the rules of effective families and the rules of effective businesses can be contradictory. Families are governed by equality, inclusiveness and caring feelings. On the other hand, businesses are governed by meritocracy, selectivity and critical analysis (Rouvinez and Ward, 2005). As the Human Resource Manager of COMPANY A commented: (*...We are a family run company so things are kept quite informal...*) (A.S.36.3). The Operation Manager of COMPANY A commented: (*...Lots of things have an informal method because it got a family- orientation sort of to the building it's a family business with families within it...*) (A.M.14.2). The Cell Development Manager of COMPANY E commented about the benefit of having a "family" way of system within the organisation even though that the company's members are not relatives (*...In Bradwell, it's more of a village culture where everyone's working together for themselves...*) (E.R.15.11). Respondents expressed the view that having a family-orientation within an organisation eases communication and as a result, influences an organisation's culture.

However, the most politically sensitive and complex aspect of ownership is perhaps having the authority to make decisions (Rousseau and Shperling 2003). "Participation in decision making can take many forms, ranging from operational decisions affecting day-to-day work practices (e.g. process improvements) to strategic choices impacting the company as a whole. The core decision relevant to owners is how the company's assets are used (e.g. regarding customer focus, relations with suppliers). The more intangible assets provide a basis for a company's wealth, the more the company's competitive advantage rests on how effectively its human, intellectual, and relational assets are used" (Pfeffer, 1994) cited in (Rousseau and Shperling, 2003, p558). As the Technical and Sales Manager of COMPANY E commented: (*...Now up until fairly recently the majority of the business was spare parts manufacture and supply not only for our machines but also for other people's machinery as well*



*and that has been the focus of the business over the past few years, it has been through a few changes of ownership over recent years...)* (E.N.1.2).

A number of the studied companies (COMPANY C, COMPANY D, COMPANY F and COMPANY G) are influenced by their hierarchal way of functioning. As the Managing Director of COMPANY D commented: *(...well we thought we didn't really have any structure at the moment if we take this on the basis that we're now looking at we recognise that we need to do something what will happen is that there will be this task team which will be 5 or 6 individuals plus a chair person which is probably a director that will manage the actual function of looking at innovation throughout the business...)* (D.P.14.1). However, all Respondents confirmed that they are different from big companies and they benefit from being small. One of the studied companies is owned by the management, largely, with the banks, but a minority stake as well. As the group Finance Director of COMPANY F commented: *(...It is my job to make sure that the group's finance are in order, both in terms of recording the current numbers and what our current performance level's at in terms of profit and cash and so on, forecasting where we are heading, so to make sure our costs and manning and so on are at the right level and then communicating to the bank to make sure that they understand where we are financially because they have got a lot of money tied up in us...)* (F.D.2.1).

In terms of employee ownership, respondents revealed that this approach of ownership is not common. As the Managing Director of COMPANY B commented: *(...I think our ownership is innovative. We are employee owned. That's not that common...)* (B.M.26.5). COMPANY B adopted this model to get the maximum benefit from an employee ownership structure. (G.D.7.16). As the Managing Director of COMPANY B commented: *(...Because we have that common approach, we do not have any problem challenging ourselves or challenging each other. So that is how we learn in all areas, really, it is not just product development...)* (B.M.17.7). Bradley and Estrin (1988) affirm that in a study focusing on how ownership of the John Lewis Partnership affects performance, that the company has been able to maintain faster productivity and rate of return growth on the basis of a broadly comparable performance in the expansion of turnover. By the end of the financial year 1986-87, the John Lewis Partnership had a turnover of almost £1.6 billion, with pre-tax surplus of

over £100 million and more than 30,000 partners. This makes the partnership the largest and one of the longest ongoing employee-owned companies in the Western world. Respondents believed that spreading the mentality throughout the company where everybody would feel it is our company, it is our profits and it is our future. Therefore, everybody would participate no matter what position they have and this is the same story with family organisations that have a family oriented culture. Brown et al. (1999) cited in Rousseau and Shperling (2003, p577) confirm that profit sharing is positively linked to employee contributions to the company. Brown et al. (1999) further argue that introducing profit sharing has a more positive effect where workers already hold equity shares than where they do not.

Rousseau and Shperling (2003, p578) argues that "wider availability and use of financial data in day-to-day decisions leads to more workers who are 'business literate' able to understand and use financial information. One result of this wider distribution of financial information is that investors and managers no longer have unique claims to such information". For example, In terms of the profits sharing, COMPANY E has a bonus scheme in place where 20% of the profits are split between the workforces. It is a bonus scheme which everyone can buy into. However, respondents emphasise the significance of ownership in overall performance so after the new ownership of COMPANY F for example the company has a new vision through the current Managing Director. They call it "Twenty-Twenty vision" where they want to be a £250 million turnover business. As the Sales Director of COMPANY F commented: *(...So since the management buyout in 2006, we have invested well over three million pounds in capital equipment to create more capacity for our customers and sectors we are targeting...)* (F.K.1.11). Access to information can contribute to enhance employee job performance, where employee effort levels and direction are guided by knowledge of their impact on the company outcome. Moreover, sharing financial information also can contribute to mutual trusts and enhance employee attachment to the company (Ferrante & Rousseau, 2001) cited in (Rousseau and Shperling, 2003 p578). Respondents affirmed that sharing ownership of the company has enabled them to take sometimes ethical stances rather than being at the whims of shareholders and stock markets so they have very strong ethical drivers.

As the Managing Director of COMPANY B commented: (*...We are into collective responsibility and accountability so we can improve things for all of us...*) (B.M.17.4). Organisations tend to be structured around teams that are coordinated rather than operated from a central power. Resources tend to be shared, based on performance rather than rankings of the traditional hierarchy. Profit sharing, the extensive use of stock options beyond the executive leadership and tight labour that give knowledge workers special power tend to differentiate these organisations (Packard, 1995) cited in (Whyte et al., 2002). Ronald et al. (2009) argue that Employee Stock Ownership Plan (ESOP) companies have better survival rates in tough economic times. They further argue that the companies sharing ownership with employees outperformed competitors in terms of return on assets and total shareholders returns. "Employee-owners are trusted to do what is best for the company. They know which numbers to watch, and they watch them" (Rosen et al., 2005). Thus, it is not just about size, it is about ownership and it is about culture.

#### **6.1.1. Ownership by Information Sharing and Participation**

"What we want is not a situation where employees own the company - but one where employees behave as if they own the company. Much of the benefit of ownership can be achieved through truly participation processes" (Baines, 1998, p14). Respondents expressed the view that employees' participation in the success of an organisation is crucial where the management is open to all the possible ideas that can help to take the companies forward and gain the competitive advantage. However, the question that should be asked is that "how do companies create a culture of participation or a culture of real ownership in all levels financially and morally to allow true participation to happen? As Baines (1998, p15) states that, "Participation is fragile flower - needs to be encouraged and nurtured." As the Operation Manager of COMPANY A commented: (*...We have got various different people, you put them all heads together that is great and for me in order to be an innovative competitive organisation you must break down the barriers within your business...*)(A.M.21.3).

This is emphasised by Hart (1995) cited in Rousseau and Shperling (2003, p577) who confirms that access to information is another ownership subsidiary privilege. Nichol (1992, p261) concluded in his research done at the Canadian Imperial Bank of Commerce (CIBC) that there are four priority areas that come

out as critical requirements to building a sustained service improvement strategy through teams:

**Ownership:** Employees must be given the right, responsibility and skills to change things within their control and influence the direction of the organisation.

**Leadership:** Leaders at all levels throughout the organisation must understand, accept and adopt their new role in supporting and empowering employee teams to give their best.

**Employee Satisfaction:** Employees will treat their customers as they are treated. Every department throughout the organisation must adopt and act upon the principles of internal customer satisfaction.

**Focus:** Teams must be aligned on a common purpose through a shared vision and the organisation must be saturated with the voice of the customer to ensure a relentless team focus on continuous service improvement. As the Sales Director of COMPANY F commented: (*...The role of the leadership, right from the top managing leaders to my area which sales and across the business, is to empower people...*) (F.K.1.11).

Chapter 5 has already shown the crucial role and contribution of leadership and their commitment to competitiveness and innovation. Baines (1998) confirmed that the achievement of culture change is reliant on the perception of key players in the organisation and they have to ensure that it is really important to the rest, if we really want ownership we must create valuable participation, if we really want participation it will happen. As the Product Manager of COMPANY C commented: (*...I think it is just trying to keep employees informed, more than anything and that hopefully will then breed them to think, Oh, yeah, they are taking me seriously, I will come back and I will give them another idea, I will do that. Other than, if you do not then they will probably turn round and say, Oh, I am not bothered, I cannot be bothered talking to them because they do not take my questions or my ideas seriously...*) (C.J.14.7).

The focus in this section is on ownership and the question of who owns the knowledge to gain the sustainable competitive advantage. All the requirements that Nichol mentioned include the significance of employees' participation as well as their important role in achieving the ultimate goals. As the Operation

Manager of COMPANY A commented: (*...It is simple, break down the barriers. If you sit here with a silly little rule, the problem with local authorities is sometimes government book may have so many rules and regulations and hoops to jump through, I personally believe that was innovation. Everything seems to be associated with government, sometime, it is just seems to be such a pain to get funding and get through it all. It is like crack just get on with it...*) (A.M.32.1).

Respondents positively support the view that interaction with employees should affect the organisational culture and as consequence it should result in changes in the thinking of all key players specifically managers and employees. In other words, if a company wants to encourage employees' participation they should provide the freedom needed as well as the mutual trust in the working environment. As the Cell Development Manager of COMPANY E commented: (*...People who put in a good idea and the whole things are just collapsed and nothing has happened, will not put in a good idea again because nothing has happened. They do not feel as if they have been rewarded for that...*) (E.R.31.8).

Respondents confirmed that the psychological status of the employees and their feeling towards their management would affect their level of participation. In other words, their response and participation would be affected by the respect, trust and reward that they are getting from the management. As the Cell Development Manager of COMPANY E commented: (*...It is got to be an open and learning culture, I suppose. You are not going to get all your ideas from one person in terms of a very hierarchical or bureaucratic system. If the Managing Director was like, you are doing that and that is all you are doing, then you have only got one person making the ideas...*) (E.R.13.1)

All respondents affirmed that the question to enhancing organisational competitiveness and innovation is how to create a culture where everybody feels the ownership and participates in bringing new ideas and also belief in the domino effect. As the Managing Director of COMPANY D commented: (*...I think the key thing is to make sure that people, every person in the organisation knows that they can influence things...*) (D.P.42.1).

Respondents strongly believed that information sharing is a key element in organisations in order to get all the stakeholder attention and contribution. However, one of the most important pieces of information is the financial accounting information which indicates the profit/loss situation and the decision making process will heavily rely on it. As the Cell Development Manager of COMPANY E commented: (*...We have all the financial data available to each team in their own teams. So they have a profit/loss account for their own teams. There is different ways of doing it but we are trying the system where you discuss your financial performance with the teams and they all understand how they are doing which is a big step up from some companies where nobody knows what the financial performance is or the reason for doing the job in the first place...*) (E.R.11.1). "True participation needs information to be effective. So, before sharing the company (if it ever gets that far), we have to start by sharing information - especially financial information - in a format that is meaningful to those we wish to participate in decision making, policy making or whatever. In most organisations this is not easy. The previous culture has almost certainly been one of secrecy, where information is seen as a source of power and importance, and made available on a need-to-know basis. Changing to an open information situation is a real culture shock- and many managers will not contemplate it" (Baines, 1998, p15). As the Research and Development Manager of COMPANY B commented: (*...We show the sales, efficiency and absenteeism rate so everybody takes ownership...*) (B.D.7.10).

This is confirmed by Baines (1998) who argues that people need to know how their job and the work they do fit into the wider system of the organisation and also they need to be aware of the effect of their jobs and decisions make to the whole system however minor. Therefore operational information must also be shared. As the Managing Director of COMPANY B commented: (*...We declare publicly how we are doing and we divulge sales, we divulge profits, we divulge the percentage of sales of products which are three years old so we have a culture of innovation and we can tell when we are doing well because it is that ratio towards 25% and we can tell when we are doing less well because that ratio is languishing at less than 15% as it as it is at the minute. That is why we have had a big push on new products over recent years...*) (B.M.8.5).

### 6.1.2. Power of Empowerment and Trust

Greasley et al. (2005) define power as, it is always redistributed by transmitting control so that workers have the right to make and implement their own decision. Clutterbuck and Kernaghan (1994) affirm that empowerment releases people's creativity and commitment. Respondents believed that empowering people and giving ownership can contribute positively in creating an innovative culture within organisations. As the Operation Manager of COMPANY A commented: *(...We tried to break down these barriers, give employee responsibilities and ownership therefore they can flourish and have more control on what they were doing which were expand them and give them more self-belief and empowerment thus create an innovative culture within the organisation. That is exactly what in our company...)* (A.M.21.5). Conger and Kanungo (1998) differentiate between the relational and motivational meanings of empowerment. The first meaning examines the connection between managers and employees both before and after empowerment. The motivational element recommends a process through which initiative will need to pass for workers to feel motivated. Nykodym et al. (1994) cited in (Greasley et al., 2005, p358) found that employees empowerment have reduced disagreement and ambiguity in their role, as they are able to control (to a certain extent) their own environment.

The Report of Construction Thinking (2000, p13) asserts that in terms of workforce involvement and their value that "Respect for people means that all workers need to be consulted, involved, engaged, and ultimately empowered in a spirit of partnership, not just management. The workforce on site is a rich source for ideas to improve the way work is carried out. And involving the workforce will not only demonstrate that they are respected and valued, but will improve productivity and quality." As the Training and Design Manager of COMPANY G commented: *(...We do not have the young lads next door driving desks and computers all day. What they have to do is they have to manufacture what they design. They have to put it together. They have to prove to themselves that it works, etc...)* (G.G.5.12).

However, people's skills are a significant matter to make structure and empowerment itself effective and for the people to make use of them. In a fluid,

flat, empowered structure, people will be asked to use skills such as influencing, negotiating, problem-solving and team working, possibly for the first time and at much lower levels of the organisation (Clutterbuck and Kernaghan, 1994). Li et al. (2002) state that corporate governance is about the construction of a sustainable organisation over the long run and involves a set of relationships between the administration of the organisation, its board, its shareholders, its employees and other parties. Respondents confirmed that building trust is a key factor in forming relationships and as result in enhancing stakeholders' participation. As the Sales Director of COMPANY F commented: (*...We have had guys from the shop floor of the business doing presentations to the chairman and Managing Director of the company, who have never done a presentation in their life before and they have made a proposal on some innovative thinking or concept which we can do to help the business become better...*) (F.K.26.12).

Dobni (2008, p49) argues that, "many organisations possess similar traits; they have similar resources, similarly trained employees, opportunity, market access, and high quality of product and services. So why do some organisations outperform others? The answer they suggest lies in the area of employee empowerment. Empowerment affects the execution of innovation as it drives employees to go above and beyond what is normally expected of them, eventually having them perform these value creating tasks without even thinking about it." The employees participation in the decision making process was a direct question to the participants. Some cases would accept employee's participation in the decision making but not on the strategic level. For example, employees are consulted and their participation depends on the area. But their recommendations are not implemented because of the law, market or lack of knowledge or lack of confidence. An example from COMPANY C was during 2009, when their order intake was suffering significantly because of the economy, they looked at ways to reduce costs rather than just removing people. An operator level employee made a suggestion. From an operator level, it could not be proved by them but would definitely have to come up and even the subsidiary leaders could not prove it. Because it was part of the benefits scheme, it had to go to the global group company. The suggestion went right to the very top and ended up at the owner of the company who said "No".



As argued in the literature high levels of trust with the workforce will result in high levels of participation. In other words, participation needs an atmosphere and culture of mutual respect and trust, therefore, participation can be improved and facilitated in a culture of equality and equity (Baines, 1998, and Peel et al., 1990). Respondents believed that encouraging people and taking them seriously even if their ideas are not progressing is to enhance the trust and improve their contribution. As the Product Manager of COMPANY C commented: *(...I think one of the things we need to try and do is that, people need to see that their ideas are taken seriously, that something sometimes comes of their ideas. Obviously, every idea we can utilise. I think the only way we can encourage them is to at least get ideas in from them and try and react to those and act on them and comeback even if it is not a positive answer...)*(C.J.14.1).

Respondents assured the view that giving more responsibilities and more freedom to employees can increase their contribution to organisational competitiveness and innovation. Clutterbuck and Kernaghan (1994) confirmed that, to have a learning organisation in place individuals should have the freedom to improve the situation in which they find themselves. As an example of the freedom employees can get the Cell Development Manager of COMPANY E commented: *(...Lets take the cell over in Bradwell which is the nuclear products cell. Basically, people are not really managed anymore. They have their own schedule, so they have come up with their own schedule as a workforce, which means that it is not put on them. The customer requirements are sent straight through them and they work themselves out as to how they are going to manage their time...)* (E.R.15.1).

Respondents expressed the view that mutual trust would help in creating an atmosphere where everybody can shine and gain the confidence to contribute to the success of an organisation. Rosen and Quarrey (1987) affirm that the best companies regularly hold sessions in which managers and workers can work out problems. However, workers pay little attention to the formal trappings of corporate control, such as having representation on the board. Workers are enthusiastic about companies that engage their ideas and talents, whether in an informal open-door meeting with the president or at a random meeting with a

supervisor. As the Training and Design Manager of COMPANY G commented: *(...You need to make sure that employees know that they are working in an environment in which they truly shine for all the right reason, not have their work either dumbed down, diluted or claimed by other people...)* (G.G.14.6).

"Capitalism has won. But it has yet to fulfil its own promise. Market-driven economic growth has succeeded in making us richer; but it is no longer enriching our lives. Money is not buying happiness. The sources of a good life are increasingly to be found in the quality of our relationships with each other, and in the conduct of purposeful, rewarding work" (Reeves, 2007, p3). Rosen et al., (2005) argue that justice may help attract and keep good employees. It is a nice benefit, and it does help in modest increases in performance. However, a plan that gives meaningful and growing amounts of stock to employees within a culture of ownership can profoundly transform attitudes and behaviour and in turn financial results. As the Research and Development Manager of COMPANY B commented: *(...Everybody is feeling the ownership in the company which is very strong driver no matter what position you are in the company because we all can question whether we are doing things right...)*(B.D.7.14).

The findings confirmed that a family orientation culture and the supportive "family" model of operations within companies play an important role in enhancing organisational competitiveness and innovation. In addition, sharing ownership, empowering employees and giving them more responsibility in the long run influence organisational innovativeness. Ownership model and employees' feeling of belonging towards a company may affect its performance in promoting the right conditions in the organisation. It is imperative for businesses to exploit all the available resources to compete in this complex market environment. Thus, in order to gain sustainable competitive advantage companies need to engage all the stakeholders to achieve it. Rosen and Quarrey (1987, p 129) argue that "workers may well appreciate the money they get by owning company stock. But their enthusiasm won't do much for corporate performance unless it can be channelled into creative enterprise. Employees ought to feel that they can share new ideas, devise new ways to work together more efficiently, take on responsibility for customer satisfaction. The lessons for

management are clear. Give employees an opportunity to acquire a significant share of the company and develop opportunities for them to participate as owners. This course is remarkably effective".

Knowledge is everywhere so missing some sources of information in this complex market might end in a dilemma. In other words, respondents believed that the reluctance of employees, for instance to participate in the success of an organisation is a sign that a company is missing an important player in the game that can make a difference if they feel the right sense of ownership and responsibility towards the success of their company. Therefore, our research suggests that in order to have the full support and the full participation of employees companies should redefine their ownership model towards more mutual benefit in a transparent and democratic environment. This is confirmed by Li et al. (2002) who argue that the foundation of prosperity must first come from the harnessing of innovative products and services, which are the end products of innovative employees that have been properly rewarded with share ownership. Respondents suggested that the different ownership models in the studied companies, impacts the mentality as well as the organisational culture of those companies. For example, whilst all the companies are privately owned companies. COMPANY B has a significantly different model of ownership to the other studied companies. This could be called a monetary reward to its employees to contribute to the organisational innovativeness. As the Financial Secretary to the Treasury put it in 1999 cited in Jones and Tilley (2003, p 107) "there is a clear link between employees owning shares in the company they work for and an increase in productivity... employee share ownership can bridge the gap between employees, managers and shareholders by aligning more closely the interests of the workforce with the owners of the company...Employee owners have an incentive to contribute more actively to the development of the business by raising productivity from which they can benefit directly."

The Managing Director of COMPANY B commented: (*...We involve everybody, initially, absolutely everybody because we do not have senior management, middle management, junior management and all this rubbish...*) (B.M.11.1). The Research and Development Manager of COMPANY B pointed one of the

advantages of their ownership model: (...*We have very low change over of staff people who do not fit to the culture of the organisation do not stay for long so they leave the organisation...*)(B.D.8.9).

To summarise, based on the given data, ownership structure influences organisational culture in this study and it differs from one company to the other but each model has its own specifications and advantage and disadvantage to the level of innovation and organisational competitiveness and these differentiations bring more insights into the study of organisational competitiveness and innovation in SMEs. In the study there are two family companies, one is employee owned and the rest are privately owned. In addition, each ownership model has its own influence on culture with the studied companies. The studied companies are SMEs and they are located in the same geographical region, but it was interesting to find that they have different characteristics and they deal differently with the challenges that they are facing. There is however, some emphasis on employees' ownership but it appears to show that ownership is more than financial ownership and also it has its own effect on culture as a whole. The following section explores the organisational structure and culture of the studied SMEs.

## **6.2. The Impact of Organisational Structure on Culture**

George and Jones (2008, p567) define organisational culture as "the set of shared values, beliefs, and norms that influence the way employees think, feel and behave toward each other and toward people outside the organisation". With regards to organisational structure George and Jones (2008) state that because each organisation faces a different set of contingencies, there is no "one best way" to design an organisation. The best design is one that fits the organisation's specific situation.

### **6.2.1. Organisational Structure**

Respondents described the organisational structure of the studied companies (see figure 6.1) and its role and contribution in organisational competitiveness and innovation. COMPANY A has a hierarchal structure, there are four directors; two of the directors are the major shareholders one is the Managing Director and another has the largest share. There is also a Sales Director and

an Operation Director. They have a senior team; a Human Resources Manager, a Health and Safety Manager, a New Product Development Manager, a Quality Assurance Manager, the Office Manager, and the Accountant, and then in the bakery they have the Day Shift Manager, Night Shift Manager then below them they are responsible for the different departments in the bakery. The Human Resource Manager of COMPANY A commented: (*... Each bakery has its department so it is a very hierarchal structure really...*) (A.S.2.3).

Figure 6.1: Organisational structure of the studied companies

Hierarchal Structure  
(COMPANY A, D  
and F)

Functional Structure  
(COMPANY C, E  
and G)

Flat/ Democratic x  
Structure  
COMPANY B)

COMPANY B have an executive management board which encompasses the leaders of the French office, the American office, its manufacturing operations, its research and development operations and its marketing operations but beyond that they have quite a flat structure. It is very democratic, they do not have a large hierarchical structure with lots of layers of middle management. COMPANY B does not have separate offices and even the Managing Director sits in the main office along with everyone else. The Managing Director of COMPANY B commented: (*...We are very democratic. We do not have a large hierarchical structure with lots of layers of middle management. Everybody is hands on. We do not have any offices. Even though I am the Managing Director, I sit here in the main office the same as everyone else; you can see there are no offices, no walls, and no doors. We try to eliminate a structure as far as possible...*) (B.M.2.2). This is important as having a flat structure helps them to challenge people to bring new ideas to the table where there are no offices so they can approach the management at any time with any idea.

On the other hand, COMPANY C has its own engineering department, sales department, and its new product management team or department. This department has two people, one based in the UK (the European product manager) and the other manager based in America, who is the regional manager for the US market. They also have a global product manager. The Operation Manager of COMPANY C commented: *(...We have two people, myself, based in the UK which is the European Product Manager and we have B in America, who's the regional for the US market and then J who's the global product manager. Now, J used to work here in the engineering department. So we have the marketing director, and then J, the Global Product Manager reports to the Marketing Director and then we, both my-self and B don't report direct to J. We report to our Sales Directors. I report to my Sales Director here and B reports to his Sales Director, Manufacturing Director over in the US. So, that's really the only organisation part of the product management team...)* (C.J.2.1).

The organisational structure at COMPANY D consists of a Managing Director and Sales Director at the top and then everyone else is in a flat level below them. As the Marketing Manager of COMPANY D commented: *(...The management structure at COMPANY D is Managing Director and Sales Director at the top and then everyone else is at a flat level below them there is no management structure to speak of...)* (D.D.2.2). There is an export sales team who handle quote requests for COMPANY D's products for overseas and there is a UK sales team who are of a similar size who handle the sales in the UK. They also have quality assurance, production, logistics and transportation and they are small departments within COMPANY D and all report to the directors. Moreover, there is an engineering team who design the products and they are probably the main team to lead what COMPANY D would class as innovation so they come up with the new products to be one step ahead of the competition.

On the other hand, COMPANY E's structure is functional, it has two joint Managing Directors at the top and then it has a board of five directors, through to a management team of seven, split into functional areas of sales and marketing, production, engineering and then the two sites with a site manager in each. It is functional at the top but then it does have cellular teams and there is a team leader in each cell to lead. As the Cell Development Manager of COMPANY E commented: *(...You can get on with your own staff and there is*

*not really much of a hierarchical thing. But we are getting them here. We are starting to put things in place, which is a longer term process, obviously, but people get the mechanism in place for people to put any ideas up and they should start to come up through the system...*) (E.R.15.12). It has been split into a separate company to do the pelleting and there are five people in that division, one is in overall charge, technical and sales and marketing, and then it has a part-time employee doing administration.

COMPANY F is operationally run by a board of directors. They have a Managing Director, Operations Director, Manufacturing Director and Finance Director. It has a functional structure because it is a small company and they have two sites within a couple of miles of each other. Then they have got people who manage their reporting within that pyramid structure.

COMPANY G is a small company with 8 employees so there is no well-defined structure, the Managing Director and the Training and Design Manager jointly run the company. As the Training and Design Manager of COMPANY G commented: (*...We do not have what you might call any kind of well-defined structure...*) (G.G.3.4).

The findings of this study suggested that the organisational structure of the studied companies vary from hierarchal, flat, functional and some with no structure. Respondents express the view that these structures organise relations within organisations and being small is helpful. This is confirmed by Jackson and Carter (2000) that structure has two basic functions, providing support and organising relations.

Heller (1997) cited in Mullins (2006) argues that the first step in organisational change is to get the structure right. Hoffmann (2012) argues that organisations can avoid the creation of hierarchy if they have high level of homogeneity where goals, beliefs, conceptual language and symbols are shared among the members. Kanter (1972) cited in Hoffmann (2012) found that a widely shared belief that individual interests are best served when they are immersed into the interests of the greater whole and as a result, this is a key to a collective success. This argument highlights the significance of organisational structure in shaping an organisation's culture which as a result affects the way organisations perform successfully.

Respondents seemed to strongly believe that flat and democratic free open organisational structure might be essential in organisational competitiveness and innovation in SMEs. However, some of the studied companies have hierarchical and functional organisational structure with defined rules and roles and they are not changing very quickly. In other words, the majority of respondents believed that companies should have flat democratic structure in improving their competitiveness and innovation to get all stakeholders contribution. This confirms the explanation in Chapter 2 that strong creative culture should be open, share knowledge, use teamwork, motivate and engage people in the day-to-day business processes, internal systems and structures (Dooley et al., 2003). However, the degree of their implementation does not reflect what is espoused. The findings suggested that the required flexibility in organisational structure should be provided to enhance the interaction of the stakeholders and create the organisational culture needed in competitiveness and innovativeness.

The following section explores the studied companies' organisational culture. It is called cultural descriptors because it is based on the participants' description of their organisational culture. George and Jones (2008) argue that an organisation structure can promote cultural values that foster integration and coordination. As mentioned earlier the importance of the culture in organisation performance is crucial in organisational competitiveness and innovation, thus, it is explored in more detail in the following section.

### **6.2.2. Organisational Culture**

Rashid et al., (2003) examined the influence of corporate culture and organisational commitment on financial performance in Malaysia. They confirm that organisations with superior performance or success could be provided by the type of corporate culture and organisational commitment. As discussed in Chapter 2, with the influence of organisational environment, organisations need to develop some degree of multicultural competency in order to manage their social interactions and business decisions (Steers et al. 2010). Valencia et al. (2011) found that the relationship between culture and innovation strategy is complex and requires additional research. They linked organisational culture to innovation strategy and they argue that the relationship between culture and innovation is more complex than the literature suggests.



COMPANY A has high calibre people who they encourage to be self-critical. It has a very open culture, when you are walking around that is the policy - everybody getting on with their work, using first names and people get involved. As the Human Resource Manager of COMPANY A commented: (*...I feel for ourselves it is an open culture, an open door policy, they can come and say what they think might work...*) (A.S.14.1)

Employees realised that they will not be laughed at or rejected if the organisation does not think the idea is very good because they are open minded when they look into things. Within COMPANY A people are encouraged to contribute and to give new ideas because some people might think "why I should tell the company my idea?" but they want everybody to work together to make the company better.

COMPANY B is very democratic; it does not have a large hierarchical structure. They try to benefit from this structure, to be very egalitarian and encourage everybody to come up with new ideas and the results are borne out by that democratic approach. As the Managing Director of COMPANY B commented: (*...We focus on swift delivery which doesn't require lots of consultation, lots of signatures, and lots of authorisations. We just tend to get on with it as quickly as possible...*) (B.M.2.4).

However, as the Managing Director of COMPANY B commented: (*...I think the single most important thing is the culture of openness the culture of innovation, of drive for change, publicly declaring of what you are trying to achieve; we go with 25% of sales of products less than 3 years old, not how many parts we have produced, although this is very important. The future success of the business is based on new products...*) (B.M.13.14). People speak in a free manner and the ownership structure of COMPANY B is a very strong driver no matter what position you are in the company because everyone can question whether they are doing things right. Consequently, they stimulate the discussion by putting things to everybody, how they can improve things. The significance of organisational culture in organisational innovation is highlighted and it appears to play a crucial role in enhancing competitiveness and innovation.

COMPANY C has an open free culture where everyone is free to make a suggestion. The culture at COMPANY C encourages suggestions for ideas that might make a product better or easier to manufacture or to improve the working environment so anybody can ask for it to happen. Everybody is treated as if they are all one level and use the same process. However, the company is facing severe competition therefore they are trying to do some development work with universities (this relationship is explored in more details in the following chapter). As the Managing Director of COMPANY C commented: *(...There is no open cheque book, but I think the culture is not gauged by rank within the business; everybody is treated as if they are all one level and it goes to the same process...)* (C.N.13.4).

Respondents revealed that COMPANY D has an upstairs downstairs mentality - sales upstairs and production downstairs. The production department look at logistics, so they are the voice downstairs, to see something that is relevant should get fed up through the structure. As the Business Development and Marketing Manager of COMPANY D commented: *(...Because they work strange shifts, it's easier to do it in a production sales meeting to discuss these elements so we do keep them separate but the communication is still there...)* (D.D.13.4). The findings revealed that this upstairs and downstairs mentality influences the way things function in COMPANY D as well as the culture of the company as a whole. However, does this mentality help COMPANY D in developing better performance regarding competitiveness and innovation? The richness of this study is the variety of the studied companies which give different scenarios and also different ways of mentally regarding structure and culture in enhancing competitiveness and innovation and this should help in drawing a good conclusion.

COMPANY E appears to have a very task orientated culture at the cell level, typical perhaps of a traditional South Yorkshire manufacturing culture coming from steel works and coal miners, where management told workers what to do. The cell is based at Bradwell (a small village on the outskirts of Sheffield) where the company has a village culture with everyone working together for the team. As the Cell Development Manager of COMPANY E commented: *(...I think we have got a very open culture, it is very different cultures throughout the business. It is very task oriented culture at the cell level...)* (E.R.14.1). People at

COMPANY E are involved with their own customers and they are looking to improve that particular task. However, they are still used to people telling them what to do. Respondents express the view that such involvement is to improve the relationship with a particular customer.

COMPANY F is a traditional manufacturing business. For example, they all wear shirts and ties, the vast majority are males, typically white British and so it is quite an old-fashioned Sheffield culture. As the Group Finance Director of COMPANY F commented: (*...We are trying to push decisions down. It is not always easy because people in a traditional business have a history of sometimes just doing what they are told almost...*) (F.D.15.2). COMPANY F has a can-do culture throughout but the whole company is affected by the mentality of old Sheffield culture. The Sales Director of COMPANY F commented describing the company: (*...In summary, we have a can-do Culture...*) (F.K.11.1). COMPANY F situation reflects the fact that manufacturing is in decline in the UK and this is a challenge. However, because of the COMPANY F's definition of innovation and its manufacturing capability, the company is capable of doing what its customers require. Innovation is more about focusing on efficiency improvements within the constraint of doing what customers require.

COMPANY G has a philosophy which they call Concept Via Applied Process (CVAP). In other words, the concept for what it is you want to do, only comes out of applying thoughts to parameters and adopting processes. As the Training and Design and Innovation Manager of COMPANY G commented: (*...In the business world, it is no good whatsoever imagining producing something that cannot be manufactured. There will never be a product and more importantly, you will never have a customer, so unless you can produce a product that is useful to other people and the mere fact of saying useful means that it must be real. You must be able to touch it. You must be able to buy it. You must be able to service it...*) (G.G.8.13).

The cultural descriptors in table 6.1 are based on the participants' responses. As the Cell Development Manager of COMPANY E commented: (*...If you have got this, sort of, open culture fairly flat, everyone's got their own say from the bottom upwards then you are going to have a lot more ideas and you can filter*

*those out...*) (E.R.13.2). However, there has to be mechanisms to filter and provide focus otherwise it will result in inefficiency and wasted resources. Different companies have different approaches to doing this. Brown (1998) states that in the case of commercial organisations, they usually involve a vision of how a group of people can create and successfully market a new product or service thus organisations do not form accidentally or spontaneously but are initiated by individuals or group with specific goals.

Brown (1998) confirmed task culture, (which one of the studied cases has) is a form of culture often developed in organisations which focus on specific jobs or projects to which teams may be assigned. This is based on expertise rather than position or charisma, however, an issue with this kind of culture is that it is heavily reliant on the quality of the people involved. A task based culture is best for staff with limited capability. Respondents suggested that more openness regarding culture is needed to develop competitiveness and broad-based innovation in organisations. The values, norms and beliefs in organisations can either support or inhibit creativity and innovation, depending on how they influence the behaviour of individuals and groups (Martins and Terblanche, 2003). Rashid et al., (2003) argue that in order to motivate the employees, it may be necessary to determine the cultural type first, and then prescribe the appropriate commitment type to be emphasised in an organisation because there is a match or compatibility between the type of organisational culture and the type of organisational commitment required to motivate the employees in an organisation. George and Jones (2008) argue that adaptive cultures help an organisation build momentum, grow, and change as needed to achieve its goals and be effective. Martins and Terblanche (2003) concluded that to create a supportive culture of creativity and innovation, it has been found that one of the best approaches to describe organisational culture is based on the open system approach, thus, creativity and innovation will flourish only under the right circumstances in an organisation. However, the culture must fit with the organisation's vision and values. It could be argued that task based organisation should change to a democratic, open culture but they may be unwilling or unable.

The analysis of this study confirmed that organisational culture is a significance element in organisational competitiveness and innovation. It holistically overlaps

and interacts with other elements of an organisation to create a culture of innovation in order to gain organisational success. The participants described the studied companies' cultures as self-critical culture, democratic culture, open free culture, upstairs downstairs mentality, task orientated culture, traditional culture or CVAP philosophy. Respondents suggested that the focus should be on creating a free democratic approach of input no matter what kind of organisation there is, in order to create an open free innovative culture needed to overcome today's complex market environment. This confirms what has been discussed in Chapter 2 that organisations that have unsupportive cultures can stifle and hinder innovations because new ideas will only be successful if the organisational culture allows them to grow and prosper (Sullivan and Dooley, 2009). The following section concentrates on the teamwork management concept as one of the components of innovative organisation culture and how it is formulated, the tools that are used and how decisions are made.

### **6.2.3. Teamwork Culture**

Teamwork has become a natural way to complete tasks, thus, the expectation is that all managers will practice the philosophy of empowerment and teamwork (Alpander and Lee, 1995). The evidence from the NVIVO software showed that a team culture is one of the main themes in the data analysis, in relation to organisational competitiveness and innovation (see appendix 6). Table 6.2 explores how the studied companies organise their teams and how often they meet to discuss their work, to improve their performance to keep the business going.

**Table 6.2: Organisational team culture**

<b>K</b>	SME	Collective responsibility	Informal meetings Small teams	Face-to-face conversation	People getting together with different Ideas
	Ownership structure	Collective responsibility and accountability	Multi mix teams Development teams	Team briefings	Sales, efficiency & absenteeism rate
	Smaller teams		Small and self-managed Continuous improvement teams	Mix up teaming	Are we ahead of the budget or behind?
	SME	Responsibility of key people in the business	Workshops once a week Developing innovation task team	No well defined tools	Sharing data with relevant people
	Small teams, maximum of ten	Management tell you what to do	On a weekly basis pelleting team	Team briefing & cell meetings	General view of everything
	Listening to employees	Collective decision making e.g. from employees at varying levels	Monthly manager & monthly works committee meeting & regular Sales, business development	Face-to-face meetings & notice board	Performance in terms of quality, delivery & commercial issues
	Small company	Collective responsibility	Informal meetings teams	Face-to-face conversations	Interactive conversations daily

Table 6.2 suggests that size of companies alters team management. However, responsibility within these cases differs from one case to the other. Therefore, the contribution of this study is around the nature of culture of the studied cases

and how they differ in enhancing their organisational competitiveness and innovation. Daniel (2010) argues that in order to face competition and meet customer demands, both large and small companies delegate responsibilities such as projects, budgets or important research to work teams.

COMPANY A prefers informal meetings because situations happen very quickly and it enables them to react appropriately. People have conversations, so they can implement ideas and which can then be put into practice straight away. COMPANY A is classified as a small company and operates from one main site where everyone is located, so face to face conversation is the main communication tool. As the Human Resource Manager of COMPANY A commented: (*...Mainly face to face conversation that is how most things happen because we are a smaller company and we operate from one main site so everyone is available on one main site...*) (A.S.22.1). Respondents confirmed that the business model in COMPANY A is strongly based around the team. It is about team with all different specialisms, working together to generate ideas.

Respondents revealed that COMPANY B has a multi mix team of designers, engineers, sales staff and production staff. The ownership structure as mentioned earlier has a big influence on how things are implemented as with COMPANY B everybody feels a sense of ownership. As the Research and Development Manager of COMPANY B commented: (*...We have very good team and big team of individuals within the company; we have got skill level that gives us real competitive edge when it comes to innovation. I consider ourselves to be a punch above our weight. I have been experience of bigger companies where their team has not been as good as what our team is...*) (B.D.29.4). COMPANY B shares information such as: sales figures, efficiency and absenteeism rate so everybody takes ownership. Thus, they all have collective responsibility and accountability so things can be improved for the whole company with this transparency and the communication approach that the company uses. The Managing Director of COMPANY B commented: (*...You've got to have clear communication across the departments so that you don't lose time as a result of poor communication, people not knowing what's going on. Communication is an important piece of the jigsaw as well...*) (B.M.34.6).

In COMPANY C they bring people together and mix the team up and let them manage the team themselves after pointing them in the right direction. Then they try to figure out who is the natural leader by who is taking control. Moreover, keeping the team small is a strategy in formulating team at COMPANY C. The Works Manager of COMPANY C commented: *(...Some people are just shy and they do not want to talk in front of 20 plus people so putting them in a small team they will flourish, making the team smaller helps. But some people still might not want to talk and it is part of the advantage of putting them outside their own little group...)* (C.P.10.5)

The key for COMPANY C is to keep the team small and self-managed and the management does not really get involved once the project has been decided. As the Works Manager of COMPANY C commented: *(...The idea is to give them a project and we say go and do it without any interfering from this side that would or when comeback with a solution or when have exceptions. So little self-managing team with employees' contribution is how we work...)* (C.P.10.11). Respondents expressed the view that people within COMPANY C know if they are ahead of the budget or if they are behind. They communicate the financial information and the company favours lots of small meetings.

Respondents revealed that within COMPANY D there is no well-defined tool for meeting because it is the responsibility of key people in the business to meet and bring things to the table. Furthermore, it has workshops once a week where they pull in a selection of staff but it will change week by week so within a month everyone will have sat in at least two of the workshops. Respondents confirmed that COMPANY D is a small company and if an email goes around everyone would know if something happened. The Managing Director of COMPANY D commented: *(...I think the key thing is to make sure that people, every person in the organisation knows that they can influence things...)* (D.P.42.1). In terms of the team work approach the findings showed that COMPANY D has undergone a study with a university that is to look at ways in which the business innovates and improve their organisational innovativeness and as result they set up what they call a COMPANY D innovation task team. This task team is 5 to 6 individuals plus a chair person that will manage the actual function of looking at innovation throughout the business.



COMPANY E has a team of five people focusing on pelleting. They are selling to the animal feed sector but they are also trying to get into the wood market and waste market. The pelleting team meet on a weekly basis, they split into small groups, about a maximum of ten people per team and the leader of the meeting is either the team leader or the cell engineer. The cell develop manger of COMPANY E commented: *(...I know companies have had things like suggestion boxes and bonus linked to suggestions, but that causes a load of contention. I would not probably do that myself, what we try and do here is to get a team culture together where any benefit you put in place are for the team and for the company, perhaps, rather than for yourself...)* (E.R.31.3).

Respondents showed that COMPANY E is a small company, and there are team leaders and cell engineers who will see people face to face and talk with them all the time. On the other hand, COMPANY F has monthly manager meetings which are about 15 people, monthly works committee meetings, account management meetings and regular sales and business development meetings to discuss and improve its performance in terms of quality, delivery, and commercial issues. Respondents revealed that COMPANY F make decision collectively, either within departments or where it affects the whole business so people participate from different departments in the company. The data shows that COMPANY G, because it is a small company, favours informal meetings with collective responsibility and also utilises daily face to face conversations.

All respondents affirmed the significance of team work management in organisational innovation. This is confirmed by Jackson and Ruderman (1996) cited in Daniel (2010) who state that recently, companies have been using more work groups in order to conduct difficult work and deal with different tasks. However, teams are influenced by the surrounding organisational environment (Revilla and Knoppen, 2012). "With regards to creativity, it is proposed that it is positively associated with team member satisfaction, team performance, task related and process conflict and negatively associated with relationship conflict" (Daniel, 2010, p453). Respondents highlighted the importance of information sharing as key element in managing teams and in generating new ideas.

Moye and Langfred (2007) investigated the role of task and relationship conflict as mediators of the relationship between information sharing and group performance, they found that in the case of established teams, information sharing is likely to result in smoother task implementation and accomplishment, and a subsequent reduction in disagreement or conflict within the task and group process. However, they further argue that whilst the benefits of information sharing on group processes develop over time, the benefits of information sharing may be stronger or weaker or might not occur at all across established teams depending on a variety of factors.

On the other hand, Revilla and Knoppen (2012) argue that the team has extraordinary potential to achieve superior results, when diverse knowledge is brought together and teams come up with better ideas, make connection between seemingly unrelated pieces of information and consider a variety of approaches. They further argue that in order to achieve the project goals the product development manager must undertake the necessary action to enable a context where team members can trust each other, work together, communicate and share their knowledge.

Based on the data given by the respondents, some companies manage their teams informally. For the majority of the studied companies the most helpful factors in team working are small teams and the size of the company being small too. Respondents suggested that informal meetings and face to face communication is the most effective method in team management plus technological advantages such as emails.

The findings illustrate that in some cases there are specific teams to do specific task. Therefore, there are some key conclusions from the findings in terms of getting people working together and team management. They highlight the importance of information sharing, self-managed teams, collective decision making and sharing responsibility. The following section deals with another component of culture, the organisational mindset which concentrates on the main focus, the values and the mentality of the studied companies.

#### **6.2.4. The Organisational Mindset**

Mindset affects a person's attitude. It refers to habits of the mind formed by previous events or earlier environment (Oxford English Dictionary, 1989) cited in (Aydin et al., 2010). Mindset can be exemplified by whether employees in an organisation perceive any benefits of using a system development method so it refers to opinions, beliefs and intentions (Aydin et al., 2010). In this study mindset is defined as "values, beliefs, mentality and the inside culture that affect the overall performance towards organisational competitiveness and innovation". The evidence from the NVIVO software showed that organisational mindset is also one of the main themes resulting from the data analysis in relation to organisational competitiveness and innovation (see appendix 6). All the companies expressed the value of being open minded, however, their interpretations and implementations in the real world all varied (see figure 6.3).

**Table 6.3:** The organisational mindset

Explore things before deciding it's good idea or not	Open door policy	Product, the machinery technology, and human resources investment	Open mindedness, integrity and loyalty	Forward thinking and building networks	Mixed culture within the company
Culture of openness  Ties with the ownership structure	Flat structure helps the influx of new Ideas	Product, service, automation, and people development	Openly declaring information & stimulate the discussion & transparent	Constant workshops and brainstorming sessions	International work force
The mindset is not fixed because they are constantly changing	Open to voluntary suggestions	Product & service	Freedom to speak your mind	People are being fed the relevant information	Just one Italian engineer
Upstairs downstairs mindset	Trying to create an environment where everyone is comfortable to discuss ideas	Current product	Openness	Forward planning, forward thinking, and forward doing	Not mentioned
Open democratic culture	It is very task orientated culture at the cell level	Product & Service	Open, honest, and transparent	Integrity, honesty and forward thinking	Not mentioned
Traditional Mindset	An old-fashioned Sheffield culture.	Service	Trans-parent	Open to new opportunities	Mainly British
Open mind, when they are looking at the problem	Working in an environment in which they truly shine for all the right reasons	Product development	Openness and honesty, and credit where It is due	Innovative and people centred	Not mentioned

COMPANY A is open-minded and they keep up to date about food technology trends and encourage that throughout the company. The company operates an open door policy to all stakeholders if people want to say something they can come and say what they think or say what might work. As the Operation Manager of COMPANY A commented: (*...Our values are quite simply open mindedness, integrity and loyalty and that stand for us, those values oil the wheels of the company...*) (A.M.5.5).

Respondents revealed that COMPANY A is honest with its customers. For example if something happens and there is a problem, they let them know what the issue is or if the customers want to ask the company they can always approach COMPANY A. Furthermore, it concentrates on product development, machinery technology and human resource development and diversification which add value to it. Respondents suggested that COMPANY A is encouraging the mentality of building trust with its stakeholders and it enhances its profile by forming relationships with different agencies such as schools and job centres. COMPANY A promotes the mindset of friends in business and building networks. As the Human Resource Manager of COMPANY A commented: (*...One of the company policies is open mindedness so they are very open to new things such as the functional foods and they are not quick to dismiss things, they will explore things before deciding it is good idea or not...*) (A.S.7.4).

On the other hand, COMPANY B promotes a culture of openness and the international work force within COMPANY B is an advantage. From the author's observation it appears that the mindset of COMPANY B is if a customer is having an issue with something or a problem, the company should provide assistance. For example, one of the customers was concerned about environmental issues and requested less nylon in packaging because it is more environmental friendly. COMPANY B responded to this opportunity by putting the cable hangers in a large box without using individual nylon for each cable hanger. The Research and Development Manager of COMPANY B commented: (*...We are very open minds...*) (B.D.29.3).

Respondents confirmed that COMPANY B encourages the mentality of building mutual trust and benefits by responding to customers. As the Research and

Development Manager of COMPANY B commented on how they do it, he said: (*...We stimulate the discussion by putting things to everybody, how can we improve things...*) (B.D.8.2)

The mindset of COMPANY C is not fixed because they are constantly changing and also the size of COMPANY C helps them to be open to volunteered suggestions. It promotes an open free culture. For example, they allow their employees to comment freely without feeling that they are under pressure or excluded from any inner circle. As the Product Manager of COMPANY C commented: (*...I think it needs to be an open free culture really because you need to have that freedom to be able to have the freedom for people to speak...*) (C.J.16.1).

However, respondents' revealed that people in COMPANY C are being fed only the relevant information, which can lead to doubts that some information might not be reported because it is relying on the reporter's understanding. In other words, some organisations might think that they have a free, open culture but in reality they are on purpose or not on purpose concealing some relevant information. In terms of diversification COMPANY C has just one Italian engineer which raises a question of whether they are missing the advantages of diversification.

Respondents suggested that the upstairs downstairs mindset within COMPANY D is influencing the organisational behaviour. However, the company is trying to create a free environment that can encourage forward planning, thinking, and doing. As the Managing Director of COMPANY D commented: (*...People are aware that we do have this change in policy that we are looking at new ideas and that people need to speak to the COMPANY D innovation task team to deal with them...*) (MA.P.16.1). The mentality within COMPANY D is that customers are always key for any changes or innovation in organisations and therefore COMPANY D are changing for them. This kind of relationship is a key in competitiveness and innovation which will be explored in more details in the following chapter.

COMPANY E is very task oriented culture at the cell level. However, the mindset which is promoted within the company is openness, honesty, transparency and forward thinking. As the Cell Development Manager of

COMPANY E commented: (*...We have got an open and honest, sort of, what we are doing; this is why we are doing it all the way through the process so it is very transparent...*) (E.R.7.4).

COMPANY F's manufacturing capability as well as the availability of new equipment is positively affecting the mindset of employees to be open to new opportunities. As the Group Sales Director of COMPANY F commented: (*...We are very open to look at new opportunities to invest in the latest equipment...*) (F.K.5.1). However, respondents suggested that the traditional old fashioned Sheffield mindset reflectively drives the company to positively consider changing to a more diversified organisation which may add to the overall performance.

COMPANY G's mindset is based on experience and belief to keep as open-minded as possible when they look at problems. Furthermore, freedom to think, integrity and accountability are other concerns which influence their mentality. As the Training and Design Manager of COMPANY G commented: (*...A culture of innovation in an organisation, unless you have that openness, honesty, credit where it's due, in the innovative situation, where you're relying on people, because it's people that innovate, you need to make sure that those people know that they're working in an environment in which they truly shine for all the right reasons, not have their work either dumbed down, diluted or claimed by other people...*) (G.G.14.5).

It is interesting to find that Aydin et al. (2010) found that to achieve a compatible mindset, trust building exercises including organising social activities is a key factor. Schein (2010, p118) argues that "one of the reasons why business decisions are often difficult to make and why management is intrinsically complex activity is the lack of consensus on whether a given decision area belongs in the realm of physical or social reality". Hoffmann (2012) states that discussing problems, bringing grievances and confronting disputes will more likely to be done by the workers who are more loyal. For an organisation to have a coherent action, they must be shared assumptions about which decisions can be empirically resolved and which ones are based on consensual criteria such as "let the most experience person decide" or "Let's decide by majority vote" (Schein, 2010, p118). This study highlights some areas that

organisations should consider in thinking about competitiveness and innovation, for example, openness, freedom, integrity, information sharing, and diversification. Gilmour, (2003) cited in Moye and Langfred (2007) argues that in order to, ultimately, improve group and/or organisation performance practitioners should adopt information sharing interventions. In terms of the decision making mechanism, it is found that the more group member share information, the better group decisions will be, and the better overall group performance (Hackman, 1990; Tjosvold, 1985) cited in (Moye and Langfred, 2007). Andres and Zmud, (2002) argued that information sharing leads to better coordination and less process loss.

Respondents confirmed that, in the studied companies, open-mindset varied and it might help organisations to be open to new ideas and hence help in creating a culture of innovation. For instance, an open door policy and information sharing may encourage stakeholders in promoting open free culture and participate in the new ideas creation process and as a result, it might influence the organisation mindset as a whole. Moreover, keeping up to date with industry trends, building trust and being friends in business could result in mutual benefits with stakeholders. Respondents showed that diversification might be another significant key factor in organisational competitiveness and innovation.

This study aims to draw a comprehensive view of culture in organisational competitiveness and innovation. Therefore the following section explores the key factor of what is called hard and soft factors that influence the organisational way of thinking with regard to competitiveness and innovation.

### **6.3. Hard and Soft Elements that Influence the Organisational Mindset**

Organisational culture comprises a number of elements but they are a consequence or enactment of the leadership approach, organisational structure, work environment, manufacturing capabilities, organisation's open mindness and relationships. This study refers to hard elements as the tangible features that influence the organisational way of thinking towards organisational competitiveness and innovation and soft elements as the intangible features that influence the organisational way of thinking. These concepts emerged from



the data analysis as significant elements in organisational competitiveness and innovation.

### 6.3.1. Hard Elements that Influence the Organisational Mindset

In the majority of the studied companies things are run informally and quickly. Respondents believed that decision making in larger companies was more formal, things take more time and that there is a lot more bureaucracy and administration. In other words, it might be argued that bureaucracy and administration in SME is less complex compare to big companies so within SMEs things happen more smoothly and very quickly. As the Human Resource Manager of COMPANY A commented: *(...I have found myself working in a bigger company things take a lot longer and there is a lot more bureaucracy and administration to do where at COMPANY A things happen overnight quickly...)* (A.S.4.5).

Table 6.4: Hard elements that influence the organisational mindset

<b>Bureaucracy and administration</b>	<b>Control procedures</b>	<b>Organisational structure</b>
<b>Work environment</b>	<b>The infrastructure</b>	<b>Manufacturing capabilities</b>
<b>Equipment investment or new machinery</b>		

In terms of disciplinary procedures, the findings suggested that all the studied companies create their disciplinary procedures, especially to the people within the company and external stakeholders, in order to be organised. On the other hand, respondents assured that the procedures should not create any barriers within the company. In other words, it might be argued that disciplinary procedures are one of the foundations of a company's existence and its system of government. It would govern for example the presence and absence of people within the company as well as define the jobs of people and their tasks. The point here can be included under the administration part but because it was stressed by the respondents, the author has decided to discuss it separately. As the research and development of COMPANY B commented: *(...If we have in*

*the assembly or in the manufacturing side people not careful putting processes together and are not following the procedures the product has always to follow a procedures they will be followed by disciplinary procedures and these disciplinary procedures are very clear very transparent, it is oral warning, written warning and final warning and then they leave the company it is enforced very strictly everybody knows no matter who you are so the policy is always enforced everybody knows where they stand all the time...*) (B.D.12.2). Rae and Subramanian's (2008) study highlights the need for the evolving governance practices, related legislation and practice guidelines to pay significant attention to an array of management control features. Furthermore, the study also provides timely empirical evidence on the importance of both internal control procedures and quality and fairness of organisational policies such as perceived procedural and distributive fairness in the workplace for deterring employee fraud. With regard to innovation culture respondents confirmed that bureaucracy can hinder new opportunities or even kills new ideas. As the Managing Director of COMPANY B commented: (*... In terms of innovation culture, it's a very simple system, it doesn't require lots of authorization, lots of justification, otherwise things get bogged down in procedure and you miss the opportunity...*) (B.M.13.5).

This study stresses that organisational structure, which is discussed earlier, is one of the main themes in building the theory of organisational competitiveness and innovation. It is considered as a hard element. In terms of organisational structure Hale and Cragg (1996) cited in McAdam (2000) argue that SMEs have more opportunity compared to big organisations for rapidly forming a team based process structure because of their informal style and natural cross functional working style. George and Jones (2008) argue that less coordination and communication among people and functions is needed to obtain resources if the environment is stable, resources are readily available and uncertainty is low. It can be argued that a flat democratic free open structure could be less problematic in organisational development and as a result it could help in the smoother flow of new ideas. As the Managing Director of COMPANY B commented: (*...You can see there are no offices, no walls, and no doors. We try to eliminate a structure as far as possible...*) (B.M.2.3).

Respondents argued that the organisational infrastructure is a crucial key factor and also the working environment could help in allowing the innovation to come to the fore. As the Managing Director of COMPANY B commented: (*...You have got to create the infrastructure to allow the innovation to come to the fore...*) (B.M.13.4). In terms of infrastructure and working environment, respondents believed that companies should create nice environments and spend money improving it. For example, they often redecorate and reequip their work place when it is necessary to make it more user friendly and allow everyone to be comfortable to do their job and to contribute to the organisations performance. In terms of work environment improvements, the Managing Director of COMPANY C commented: (*...It is through employee buying for example there are new tables which easier for recording and keeping paper work, keeping tools. So sometimes there is no direct cost benefit but it is something makes people's job, easier looks tidier...*) (C.N.8.14). Respondents expressed the view that manufacturing capabilities and new machinery investments could save some costs for organisations. An example from COMPANY A where they viewed innovation as a good thing because they have a robot in the factory which they were told is the first of its type for the food manufacturing industry. The findings showed that some studied companies consider manufacturing capabilities as being one of their competitive advantages.

A report by ITV News consumer editor Chris Choi (2013) reported that the overall lending by the big banks has in fact slumped, according to the latest figures. As a result, the report shows that small businesses are struggling to expand without the financial assistance thus it would be an advantage for small businesses to have their own financial capabilities to invest in new ideas. This point confirms the data findings of manufacturing and new machinery as competitive advantages. However, whilst it could be argued that in some cases outsourcing is the answer, the respondents believed that manufacturing capability could allow organisations to develop their own product quickly without relying on external organisations. As the Human Resource Manager of COMPANY A commented: (*...We make our own flour improvers with enzymes. Normally we would have to buy these flour improvers that would cost us a lot of money where as we make them ourselves so the cost is reduced...*) (A.S.7.2).

Moreover, the Managing Director of COMPANY B commented: (*...Because we do our own product development and our own manufacturing, when new ideas come up we're able to develop them ourselves and make them ourselves very quickly without relying on people on the other side of the world or even on the other side of town to make them for us...*) (B.M.5.4). The Group Finance Director of COMPANY F commented: (*...We've got some big pieces of kit. We've got very big lasers to cut big pieces of steel and big presses that allow you to bend big sheets of steel. So, that's quite unusual for a company of our size, to have all those things under one roof. I guess that's it, the three things I'd pick out as being our competitive advantage...*) (F.D.6.3). Hale and Cragg (1996) contend that the SMEs' closeness to the customers and the lack of organisational layers and bureaucracy, give them a natural degree of flexibility and change orientation.

The hard elements are examples that show how the culture is further influenced. The findings reveal that bureaucracy and administration in SME appears to generally be less complex, compared to large companies and as a result things in SMEs happen informally, smoother and very quickly. Moreover, disciplinary procedures exist to govern organisations and should not create any barriers within organisations. Despite the fact that there is no best way to design an organisation, since it is dependent on its situation, it is found that a flat democratic free structure could be less problematic in organisation development and as a result it could help more in customers' interaction. It is suggested that a well-built organisation infrastructure and pleasant work environment could allow everyone to be comfortable to do their job and to contribute to the enhancement of the organisations performance. Further, respondents believe that manufacturing capability and new machinery investments could reduce costs for organisations using self-contained unit approach and this is considered to be one of their important competitive advantages.

In studying the hard elements that influence the organisational mindset, it is imperative to explore what other factors might influence it. Therefore, in the following section, the author is going to explore the intangible features or "soft" elements which influence the organisational way of thinking. Murray and Greenes (2006, p233) argue that "clearly, if the majority (often 70 to 80 per cent) of an organisation's assets value is made up of intangible assets, then its

performance over the long run will depend upon how well it manages those assets. In order to manage those assets properly, their link to performance must be known and understood". The following section explores soft elements that influence the organisational mindset.

### 6.3.2. Soft Elements that Influence the Organisational Mindset

Soft elements are another illustration of how culture is influenced. Table 6.5 below shows the importance of the business attitude, senior management passion and commitment as soft elements that influence organisations' way of thinking. Respondents believed that senior management passion and attitude are key drivers to move others towards more innovative actions and to create an innovative culture. As the Managing Director of COMPANY B commented: *(...Innovation is not just in terms of our products but in terms of our people development, our daily operation, our accounting, and our marketing and so on...)* (B.M.7.1).

Respondents affirmed that one of the advantages that SMEs have is that things within SMEs happen very quickly. As the Operation Manager of COMPANY A commented: *(...It's about speed, it's about the ability to do things quickly and that's what we do and that's the beauty of working in SME you can make things happen very quickly that is the key in my opinion..)* (A.M.32.2).

Table 6.5: Soft elements that influence the organisational mindset

<b>Top management passion</b>	<b>The business attitude</b>	<b>Speed and simplicity</b>	<b>Control, self-belief and accountability</b>
<b>The ability of listening</b>	<b>Trust in relations</b>	<b>Information sharing</b>	<b>Opening and learning culture</b>
<b>Rewarding</b>	<b>Implementation issues</b>	<b>Resistance to change</b>	<b>Freedom of contribution</b>
<b>Relationships and collaboration</b>			

Respondents agreed that speed and simplicity are key factors in an organisation's development and this is confirmed in the case of COMPANY B. Companies frequently deal with lots of tools, nuts and bolts, fastening various different parts together, whereas COMPANY B's products are pre-engineered, pre-cut to length, all the components you need are there ready to install and for most of the time you can install COMPANY B's products without any tools rather than fastening them together with nuts and bolts, so it is very quick, simple and innovative. Also, COMPANY B focuses on swift delivery which does not require lots of consultation, lots of signatures, and lots of authorisations. They just get on with new ideas as quickly as possible.

As the Research and Development Manager of COMPANY B commented: *(...The innovation that we are selling is innovation in speed of application so innovation is the product that gives us savings in both in transport cost and speed in installation so it is more complex than just the product...)* (B.D.26.5).

Respondents expressed the view that some level of control is needed in dealing with organisational competitiveness and innovation, thus employees, for instance, should be aware that they are in control in a positive way as discussed earlier in the hard elements section. Furthermore, self-belief, empowerment and accountability are found to be key factors that influence organisation's mindset. As the Managing Director of COMPANY B commented: *(...We are into collective responsibility and accountability so we can improve things for all of us...)* (B.M.17.4).

Respondents confirmed that the ability of listening and trust in relationships plus information sharing, which was discussed earlier, are key factors in the enhancement of organisational competitiveness and innovation. The first two points are explored in more details in the later section on relationship and collaboration as vital points in forming organisations relationship. As the Business Development and Marketing Manager of COMPANY D commented: *(...the definition of innovation for me is forward thinking, forward planning and forward doing. But without all three of them the other 2 are a waste of time so if you think about it but you plan it and do it you probably do it wrong if you just think it and plan it and don't do it what was the plan but if you think it and just do*

*it, it will probably just break so think it, so listen, learn, plan and do...)*  
(D.D.47.1).

The findings showed that an open and learning culture is considered to be another key factor in building the capability of organisational competitiveness and innovation. As discussed earlier in the organisational culture sections, companies encourage people to contribute by sharing their information with them and, for example, going out looking for new ideas. As the Cell Development Manager of COMPANY E commented: *(...it's got to be an open and learning culture, I suppose. You're not going to get all your ideas from one person in terms of a very hierarchical or bureaucratic system. If the Managing Director was like, you're doing that and that's all you're doing, then you've only got one person making the ideas...)* (E.R.13.1).

The findings revealed that COMPANY B has a reward system where they have prizes for attendance, so everybody who has 100% attendance goes into a prize draw and also receives a bonus. Furthermore, they have an innovation award it is like an old fashion suggestion scheme but implemented with technology. The findings show another side of the reward which might affect people from bringing new ideas when they are not taken seriously by management. As the Cell Development Manager of COMPANY E commented: *(...People who put in a good idea and the whole thing has just collapsed and nothing's happened, won't put in a good idea again because nothing's happened. They don't feel as if they've been rewarded for that. It's to do with expectancy theory, where, if you put in the effort and you get the performance, you should expect a reward. If one of those three things break down, and you've put in a good idea and you've perhaps seen the performance improve, but you haven't been rewarded for that, then you're not going to do it again. So, it's linking those three things. It is effort at this stage, linking to performance, increased performance, linking to a reward at the end. All those have to link in...)* (E.R.31.8).

Respondents revealed that companies should always challenge people, encourage people and reward people for bringing new ideas to the table. As the Cell Development Manager of COMPANY E commented: *(...We haven't always*

*been so good at implementing the changes which are good ideas and so you lose confidence, don't you, straight away...)* (E.R.31.7).

The previous point which is based on the findings, leads the discussion in organisational innovation to an important issue, that of implementation. Having a new idea is one thing, but to implement it, is a challenge. The findings show that there is always a tendency in organisations for resistance to change. As the Technical and Sales Manager of COMPANY E commented: *(...I think there's always a tendency as you go down an organisation for resistance to change I think you have to get round that by including everybody in what's happening and letting them know why we're it, what's the improvements, what's the benefits to it, what's the benefit to the customer which is then a benefit to us because we get more sales and continue with business so it's that whole integration of the whole cycle of things ...)* (E.N.14.2).

Respondents expressed the view that breaking down barriers and contributing in free a manner would help in stakeholders' contribution and help them feel the benefit of what they are doing. Moreover, the culture of some of studied companies is not gauged by rank within the business but they still class some people as employees. As the Product Manager of COMPANY C commented: *(...You need to have that freedom to be able to give the employees the freedom to speak. If you don't, if everything's ruled by an iron fist and nobody takes any, doesn't take any notice of what you say, then I think you get that resistance, you get that wall built up to you...)* (C.J.16.2).

The respondents affirmed that organisations should have a system in place which allows everybody to have an equal say in how to improve the business and have a culture where people are not being negatively criticised instead they should be confident and happy to make suggestions. As the Training and Design Manager of COMPANY G commented: *(...It is all part of creating that kind of mental framework which people can feel free to operate...)* (G.G.14.7).

The final element (but not least) that the respondents revealed regarding soft elements in influencing organisation mindset and organisational competitiveness and innovation is - relationship and networking. This element has its own dedicated section later to fully explore it and find out its significance in more detail as it serves as one of the main themes in this study.



Hambrick and Mason (1984) cited in Roberto (2003) argue that chief executives do not make strategic choices on their own, despite that chief executives matter a great deal. Roberto (2003) argues that instead, a team of senior executives often allow responsibility for making strategic decisions. Therefore, it was interesting to explore leadership behaviour towards others such as top management passion as Marques (2007) states, which matches with this study's findings that without emotional intelligence, the leader might lack the crucial quality of reading between the lines and listening to the unspoken. In addition, if a leader is not passionate about what they do, there might not be a reason for them to be leading in the first place. Thus leaders' attitude and behaviour might affect the whole process. In terms of business attitude, Palich and Bagby (1995) cited in Gilmore et al., (2004, p350) "found that entrepreneurs perceive situations more optimistically than non-entrepreneurs. Specifically, when presented with a business scenario, entrepreneurs perceived greater internal capabilities and fewer weaknesses. They considered that the environment held more opportunities and fewer threats, and were more optimistic about the future of the hypothetical company".

Leaders must be able to formulate strategies quickly for responding to changes. They must provide the clarity and drive needed for rapid follow-through and successful execution of the strategy because an organisation cannot be responsive and adaptive without strong leaders who have the ability to observe, and even anticipate, changes in the competitive environment (Murray and Greenes, 2006). This research's findings stress the importance of responding quickly to the environment and the clarity and simplicity that do not weaken strategies within SMEs but ease implementation. In the future, "the successful leader will have not the loudest voice, but the readiest ear" (Bennis, 1993) cited in Glynn et al. (2003). Marketing companies are continually conducting customer surveys and opinion polls in the hope of identifying future needs and public trends. The business world allocates a vast amount of financial and human resources to listening to internal and external customers (Glynn et al., 2003).

In terms of relations with internal customers and in order to promote voluntary cooperation and extra-role behaviours, organisation should build trusting

relations between organisational members. This form of cooperation becomes increasingly significant when command and control styles of management are no longer effective (Bijlsma and Koopman, 2003). "Building genuine trust in an organisation is definitely possible. But it does take time and real commitment from the top. Further, it involves dealing with the organisational culture and probably changing it – no small task. When it comes to trust you can truly say that the devil is in the details" (Peterson, 1993, p414). With regards to external customers Hardwick et al. (2013) argue that the ability and reliability of the partner to deliver are seem to rely on the trust and confidence built in those distinct areas. Based on an empirical study of 81 manufacturers in Taiwan (Tai, 2011) the research results reveal that information sharing can be used to support marketing activities (i.e. enhancing customer relationships) and also support supply chain activities (i.e. facilitating supply chain management). Furthermore, information sharing will reduce both task and relationship conflict with beneficial effects on team performance in established groups (Moye and Langfred, 2007). Eng and Quiaia (2009) cited in (Iliopoulos et al., 2012) conclude that customer commitment that has implications for trust, brand loyalty and relationship building is important for new product development.

With regards to an open and learning culture it was interesting to find that Csath (2012) stresses that open and learning cultures are significant for innovation and that Hungarian SMEs are underperforming in innovation partially because the majority do not concentrate on creating learning practices and learning culture and open innovation is not applied practice, therefore it cannot enrich learning processes within SMEs, which can be a serious disadvantage for them in becoming more competitive internationally. Antikainen et al. (2011) studied how people can be motivated to collaborate in open innovation communities and what kind of tools and methods can support such collaboration. Basing their study on three innovation intermediaries originating in three different countries, they discover that money is not always the best motivation and that community cooperation, learning new ideas and having fun are more intangible factors.

Respondents confirmed that there are important factors in implementation of new ideas in this domain of organisational competitiveness and innovation as well as resistance to change in organisations. If a new idea is not implemented and does not add any improvement or is not transferred to a tangible new

product, service or process, it means that there is no need for it in the first place. Eng and Quaia (2009) cited in (Iliopoulos et al., 2012) present coping strategies to reduce innovation resistance and increase new product acceptance. These strategies place emphasis on market orientation for understanding customer needs and expectations but also on communication and knowledge sharing to overcome customer's resistance. "If a person works in an organisation, sharing the same values, he/she will probably enjoy pleasure and a feeling of freedom at work" (Sandoff and Widell, 2009, p206). Iliopoulos et al. (2012) conclude that innovation flourishes only if it is adopted by customers. They clearly indicate that market orientation and continuous learning and knowledge acquisition are the top two innovation implementation strategies in terms of success potential.

The analysis affirmed that organisations must accept different viewpoint, regardless of people's position and comeback to them even if it is not a positive answer and reward them for that. The analysis suggests that the key is to make sure that every person in an organisation knows that he/she can influence things. However, the question is, "is it just about leadership management and organisational structure and culture?" Therefore, the following section explores the influence of relationships and collaboration in building organisational competitiveness and innovation capability.

## 6.4. The Role of Organisational Ownership, Structure and Culture in Building Competitiveness and Innovation Capability

The following figure 6.1, summarises the data analysis of this chapter; it emphasises the significance of organisational openness, sense of ownership structure and supportive "family" model of operation in SMEs in the process of building organisational competitiveness and innovation.

Figure.6.2.The role of organisational ownership, structure and culture in building organisational competitiveness and innovation capability

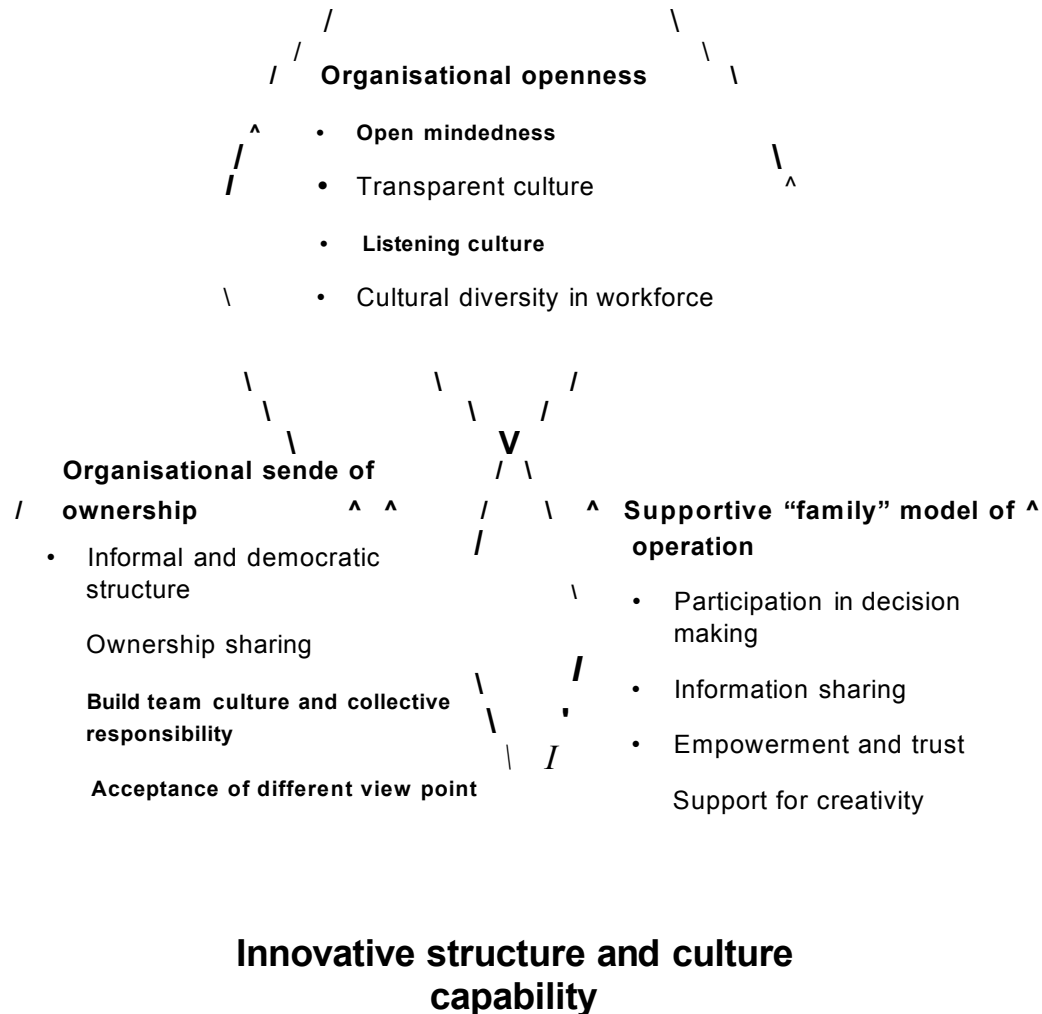


Figure 6.1 shows the role of organisational structure and culture in building competitiveness and innovation capability. The analysis revealed that organisational openness which consists of open mindedness, transparent culture, listening culture and cultural diversity in workforce, influence innovative

structure and culture capability building. It confirms that the influence an organisational sense of ownership, of informal and democratic structure within an organisation, share of ownership (financial, decision making or defining strategic direction), building team culture and collective responsibility and accountability and acceptance of different view point is crucial in the construction of innovative structure and culture capability. Moreover, the supportive "family" model of operations which encourages participation in decision making, information sharing, empowerment and trust and creativity in an organisation influence innovative structure and culture development. The analysis demonstrates that organisational openness, organisational sense of ownership and supportive "family" model of operations plays a significant part in the creation of an innovative structure and culture and in organisational competitiveness and innovation as a whole.

It was concluded, in Chapter 5, that organisational competitiveness and innovation is more than leadership management, thus, in this chapter, the author explored organisational structure and culture and ownership as striking theme from the data analysis. The interaction between them influenced the creation of the culture within the studied organisations. Turner (1986) cited in (Martin, 2005) challenged the view that culture can be managed, suggesting that it would not be possible to manipulate it accurately because it becomes such an integral part of the organisation's fabric.

The diverse nature of ownership in order to create an innovative culture and also the structure and culture of the studied companies brings insights to this thesis. COMPANY A and COMPANY B represent good examples of openness and innovation. In the cases studied, it was clear that their culture of openness, shared ownership and collective responsibility influenced their organisational learning capability. The analysis of this study suggested that organisational openness and the interaction between the three circles (shown in figure 6.1) can influence organisational competitiveness and innovation and the way people act towards the creation of a culture of innovation to enhance organisational competitiveness and innovativeness.

The sense of ownership and supportive "family" model of operations influence, seems to influence the interaction of stakeholders and also the mindset within

the studied cases. The key factors of organisational structure and culture capability are considered to be open mindness, empowerment, support of creativity, transparency and information sharing, collective responsibility and accountability and the advantage of diversity in workforce. In studied cases things have informal methods because of the size and the supportive “family” model of operations.

## **6.5. Summary and Conclusion**

The analysis of the data in this chapter affirms that senior management attitudes, passions and commitment are crucial influences to an organisations' way of thinking. Senior managers' ability to bring speed, clarity of thought and clear simple direction were seen as critical to a company's competitiveness and innovative capability. Furthermore, the author suggests that control, self-belief and accountability are all vital ingredients in governing organisations and building confidence. The author suggests that the ability to listen, empower and trust, and information sharing and collaborations are key factors in the enhancement of organisational competitiveness and innovation capability. Further, the data analysis reveals that open and learning culture is key important factor and also rewarding policies is crucial in encouraging new ideas flow. However, this process of new ideas diffusion includes some implementation and resistance to change issues which should be considered. It is concluded that organisational openness, an organisational sense of ownership and supportive "family" model of operations play crucial part in the enhancement of organisational competitiveness and innovation capability. The elements are complementary to each other, overlap and interact in order to enhance the overall performance and create the right innovative culture. It is more common for companies to act in collaboration with other companies, whether suppliers, customers, or competitors and with other non-commercial knowledge generating organisation (Coombs and Metcalfe, 2000) cited in (Ngugi et al., 2010). Therefore, the following chapter explores relationship and collaboration in more details.

## **Chapter 7: Organisational Relationships and Collaborations**

### **7.0. Introduction**

This chapter explores the significance of relationships and collaborations in enhancing organisational competitiveness and organisational innovation. Hawryskiewicz (2010) argues that the important question in business process design is how to facilitate collaboration to use the vast amounts of knowledge. This requires organisations to develop social groups and establish the social relationship, as part of business processes, to collectively use their knowledge to develop new products and services.

The main aim is to study the influence of customers, employees, distributors, suppliers and research organisations as external knowledge sources on organisational competitiveness and innovation in SMEs. Rothwell (1991, p108) argues that, "the successful innovation process involves considerably more than technical problem solving. Good market knowledge and linkages, effective overall management, effective inventory and cost control, and effective quality control are all essential to the creation of products". In this context, SMEs with their limited resources do need external knowledge and linkages to develop their competitive position and this chapter is divided into four main sections: relationship with customers, relationship with employees, relationship with distributors and the relationship with suppliers, universities and other organisations. The group of stakeholders (customers, employees, distributors, suppliers and other organisations) are equally important but "without the customer there is no need for the organisation" (Nalore-Winter and Kleiner, 1993).

The main themes in this chapter are based on the analysis of NVIVO software to investigate the crucial relationships and collaboration that help companies enhance their organisational competitiveness and innovativeness. The following section explores customers as a source of new ideas and also the benefit of building relationship with them. Table 7.1 illustrates the relationship with customers in the studied companies and shows the drivers for the studied SMEs to build such relations. In addition, it shows how the studied SMEs

manage their relationship with their customers as well as what their contribution in organisational competitiveness and innovation is.

## 7.1. Relationship with Customers

This section explores relationship with customers in the studied company and their influence on organisational competitiveness and innovation.

Table.7.1. Relationship with customers

Source of new ideas and product development	The ability to respond very quickly	Develop things, customers are not ready for It	Visit customers regularly & exchange information
Customers loyalty & new ideas development	All forms of communication & the full company support & swift delivery focus	Develop something that customers need rather than the company want	Long term relationship & direct dialogue, visits, and regular updates
To impact on the market	OEMs the original equipment manufacturer and distributors	Listening to what the customer wants (distributors)	Trying to push as one product the one- stop shop
To effectively make The company exist	They are very reactionary	Making something that can be transferred to the marketplace	Go out and seek Feedback from customers & representatives
To generate more Business for the future & profitability	The ability to put in investment into other services that customers might require	Look at what your customers want and try and realign yourselves with that	Long term contracts with one particular customer & regular meetings
To become more competitive	Make proposals to the customers & daily contact with customers	Talk to customers and take on board what they say	The sales team keeping in close touch on a personal level
To create their own opportunities	Speak to the purchase agent & the end user	Seek permission to go down onto the manufacturing line to the operator	To win their confidence through honesty



Respondents expressed the view that the relationship with customers is crucial in order to enhance organisational competitiveness and innovation. The key driver to form relations with customers or end users is because they are often the source of new ideas and product development. COMPANY A always tries to give customers exactly what they want however sometimes they take the risk to develop new products that customers may not be ready for. For example, they tried to implement the Chinese idea of putting some medicine in food. The findings show that COMPANY A interacts with customers by listening and responding quickly to their requirements. As the Human Resource Manager of COMPANY A commented: *(...If a customer says, we want a certain thing for their product, that is why we have so many products so if a customer says I like this product but I would like you to do this with it for example put poppy seeds on top then we can do that for them then we can make it a separate product so we can respond to our customers quickly...)* (A.S.4.3).

It appears to show that visiting customers regularly and exchanging information with them plays a crucial role in organisational competitiveness and innovation and as a result builds up trust and avoids badly managed relationships. As the Operation Manager of COMPANY A commented: *(...All the time, not normally visit them but most important thing is bringing them here for the day. Co-op spend a day here, Waitrose spend a day here, and 3663 compass, it goes on and on. Customers are here all the time. Some days we have 3-4 customers here we have different people managing customers all the time. It is quite interesting really...)* (A.M.15.1).

The findings show that COMPANY B's strategy towards customers is a customer focused approach to business which enhances the loyalty of their customers. Respondents believed that COMPANY B prefers a direct relation with customers. If they had a product recall they would get their sales staff to contact the customer to say "we have identified a problem" and they would do it face to face and as quickly as possible, COMPANY B responds to every complaint within 24 hours. As the Research and Development Manager of COMPANY B commented: *(...In terms of customers, we try to encourage the customers to be proactive in highlighting, we do like to call them opportunities if the customer can say if you did that and then we take that as opportunity for us to come up with new product...)* (B.D.18.13).

Furthermore, respondents revealed that COMPANY B always tries to develop long term partnerships (see table 7.1) and there are a growing number of examples where the company is dealing with the same customers and distributors as they were twenty years ago. As the Managing Director of COMPANY B commented: *(...It is very much a people thing, most of our new product ideas come from the market place...)* (B.M.7.2). It appears to show that COMPANY B prefers direct dialogue with the customers, regular visits and regular updates of product launches since the company value the fact that they want to develop something that the customers want, rather than COMPANY B thinks that they want. As the Research and Development Manager of COMPANY B commented: *(...We use innovation is not just on our product but on how to do business as well...)* (B.D.21.5).

With regard to customer's relations in COMPANY C, respondents expressed the view that COMPANY C deals with a number of distributors and that this might affect the relationship with the end users as it prevent the company from the advantages of direct contact with the end users. Potentially, distributors may misinterpret or misunderstand the end users requirements. As the Product Manager of COMPANY C commented: *(...It does become difficult because your judgement is clouded, or the end user's judgment and comments are clouded or protected by our distributors...)* (C.J.19.1).

It appears to show that COMPANY C classifies itself as a one stop shop which gives them an advantage where the customers or distributors in this case do not need to go to three or four different companies to buy their products. As the Production Manager of COMPANY C commented: *(...You can come to us and we will supply you with a conveyer, with a filtration, with bar feed, HPC, the mist extraction. So we can do it all for you, you have just to come to one place than going to two or three different places, so it is all under one roof...)* (C.J.6.3).

Respondents confirmed that COMPANY D's big challenge is the need to manufacture the required products. They always try to listen to their customers and provide products accordingly, as the marketing manager of COMPANY D commented: *(...The customers is always right and I think any company needs an attitude where they need to know everything about their product and market and they need to be alright all the time so we listen to our customers because*

*they are the people that affectively make the company exist...)* (D.D.18.4). However, respondents revealed that COMPANY D is reactionary regarding interaction with customers and always takes input from the UK team. They bring requests for a new product range and from that they will do what is asked. As the marketing manager of COMPANY D commented: *(...With customers we are very reactionary in that as it stands we do not do customers satisfaction surveys or market research to see, we will always take input from the UK and input team...)* (D.D.18.1). Respondents confirmed that COMPANY D recently changed its policy to be proactive with regard to customer relationship management. So, instead of solving problems and making improvements on old products, the company is going out and seeking feedback from their customers, to talk and listen to their representatives. As the marketing manager of COMPANY D commented: *(...This year we proactively go out and seek feedback from our customers and representatives rather than wait for us to come with problems then wait for a problem and the only way to do that is ask them directly...)* (D.D.19.3).

Respondents revealed that COMPANY E is dealing with their suppliers as customers. As the Cell Development Manager of COMPANY E commented: *(...Our suppliers supply a casting, we machine it and then we give it back to them. so it's a bit of tricky one because we are dealing with the suppliers as the customers...)* (E.R.18.4). COMPANY E prefers to set up long term contracts with its customers and suppliers. It always tries to assess those relationships and tries to produce different types of machines led by what the markets are wanting. As the Cell Development Manager of COMPANY E commented: *(...In terms of customers, we did the assessments recently in terms of ST21 Assessment, have looked at what the customers relationship are like and what the customers really wants and although we believe we are good at it and this has shown with customers, certain customers being with us for, you know, donkey's years...)* (E.R.16.1). Respondents expressed the view that there is a need for companies to be proactive in forming good relationship with customers and also in gaining better understanding of markets need. As the technical manager of COMPANY E commented: *(...It is important to keep in regular contact with customers and I think you have to be proactive in that...)* (E.N.19.1).

Respondents affirmed that COMPANY F takes into consideration that customers will always look for savings on their orders and look for the most effective time deliveries and this becomes a challenge for the company. As the group Operation Manager of COMPANY F commented: (*...The benefit to the customers is, as we take on new technologies and improve our processes, they will look for cost savings. A customer will always try and look for cost savings and on time deliveries...*) (F.A.15.1). The findings showed that COMPANY F is very open with its customers and it is more responsive to them, it work closely with customers and tries to be very proactive with them. Furthermore, the company has regular meetings with its customers and the sales team keep in touch with them on a personal level. As the group Finance Director of COMPANY F commented: (*...I think the sales team keeping in close touch, as I say if you like, on a personal level...*) (F.D.16.1).

Respondents revealed that COMPANY G always tries to interact with purchase agents as well as the end users and be honest with them in order to win their confidence, by providing exactly what they want and creating new opportunities. The company does not consider some mediators/agents as customers as they are not the ultimate end users. As the Training and Design Manager of COMPANY G commented: (*...Customers, we have a special way with customers, we have engineers come to us to ask us to design a fixture but the engineers are not the people who will ultimately use the fixture. So I do not consider them to be the customers. I consider them to be the purchase agent...*) (G.G.16.2). It appears to show from the studied companies that relations with customers play a crucial role in enhancing organisational competitiveness and innovation. In other words, it assists companies in understanding their markets. Respondents emphasised the benefits of being proactive and the significance of a direct relationship with them to prevent any ambiguity. Customer relationship has become the number one focus for many companies, as a result of market saturation and their competitive trends (Xu et al., 2002) cited in (Tohidinia and Haghighi, 2011).

This confirms the argument in Chapter 2 that the organisation's lack of good connections with customers, suppliers and potential partners in developing desirable innovations, limits its capability to introduce value adding innovations in new products/services (Dervitsiotis, 2010). Respondents expressed the view

that some of the studied companies deal with their suppliers as customers (this is explained in more details in a later section). It is important to recognise organisations' fundamental business goal, which is not to build sales or market share, but to increase profitability based on understanding who its customers are (Nguyen, 2007). Further, Godson (2009, p346) argues that throughout his book that, "understanding customers must be a prerequisite in attempting to develop relationships with them". This confirms the findings of this study which emphasises the importance of understanding customers as well as building relationship with them.

Respondents were convinced that long term relationships are crucial in enhancing organisational competitiveness and innovation. This is confirmed by Gummesson (1999) cited in Godson (2009) who argued the paradigm shift from transaction based marketing to a longer term relationship. However, not only long term relationships aid financial performance but the win-win approach can actually lead to a much better set of products and service solutions for customers. With regard to customer satisfaction, relationship marketing programs should focus on "closing the gap" between what customers expect and what they actually get (Christopher et al., 1994) cited in (Tohidinia and Haghghi, 2011, p250). However, (Ulwick, 2002) and (Christensen, 1997) both cited in (Rejeb et al., 2011) argue that since customers are not experts and are not well informed, companies should not rely solely on customers to develop innovations. They also argue that listening carefully to customers can only lead to incremental innovations. On the other hand, Rejeb et al. (2011) argue that confusing results are the result of generalised requirements and unclear questions. Therefore, customer relations management can provide a powerful competitive advantage for organisations such as an increase in customer loyalty, superior service, superior information gathering and knowledge sharing and organisational learning (Nguyen, 2007).

Abraham (2012) argues that the importance of time to all stakeholders becomes so critical in today's decision making. People treat their time similarly to money and get extremely upset when it is wasted. This confirms the findings of this study that the ability to respond quickly is a key factor in building relationships with customers. In addition, more and more organisations are capitalising on strong customer relationships to gain very useful information on how best to

serve customers and keep them from defecting to competing brands (Ndubisi, 2004) cited in (Ndubisi, 2007). The findings emphasise that direct dialogue with customers, long term relationships and regular updates with end users are key factors in enhancing organisational competitiveness and innovation.

Respondents revealed that with regard to customers, most studied companies use the strategy of a customer focused approach to business and quick response in order to win their confidence by providing exactly what they want, gain loyalty, exchange knowledge and create new opportunities. Nallore-Winter and Kleiner, (1993) argue that effective leaders will support consistent listening to the customers. Integrating the customer in the innovation process appears to be a key success factor (Rejeb et al., 2011), since it is now so much easier for consumers to participate in the innovation game (Team effort, 2012). It appears to show that some cases are responsive regarding interaction with customers but being open, more responsive, working closely and trying to be very proactive with customers is crucial. Respondents expressed the view that companies should have regular and direct relations with their customers, build up trust, exchanging information and have update meetings with them on a personal level to enhance their organisational competitiveness and innovation.

As an example, the findings shows that one company is adopting a one stop shop which benefits customers as they do not need to go to three or four different companies to buy their products which result in a saving of time and money. Respondents suggested that forming long term relationship is valuable. However, the challenge in relationships with customers is how to encourage customers to be proactive. All respondents confirmed that learning from customers is a key factor by understanding their requirements, providing a quick response and maintaining long term good relationships (see table 7.1).

It could be argued based on both the findings and the literature in Chapter 2 that in order to enhance organisational competitiveness and innovation organisations should do more than just have relationship with customers. Thus, in order to enhance organisational competitiveness and innovation companies need to look at all stakeholders hence the following section explores the contribution employees make in the competitiveness and innovation process with organisations.

## 7.2. Relationship with Organisations' Employees

The study has already explored the relationship with customers as one of the key factors for organisations to improve their organisational competitiveness and innovation performance. The internal relationships in organisations especially relationship with employees are considered equally important as the external relationships to gain the necessary competitive advantage (Godson, 2009). "Employees usually represent the people in the 7Ps of marketing and as such are becoming an increasingly important means of differentiation in the quest for competitive advantage" (Clark, 2000) cited in (Godson, 2009, p268). Therefore, this study explores this area of employees' relationship and their contribution to organisational competitiveness and innovation. The following table 7.2 shows how the studied companies manage their internal relationship with employees and what they do to support their effort to contribute to the company's whole performance.

Respondents showed that COMPANY A has what they call "a strategy day" where everyone is involved, no matter what position they have in the company. It is a full day which is facilitated by a university to determine the strategic direction of the business. As the Human Resource Manager of COMPANY A commented: (*...We have done things like strategy days where everyone has been involved to try to get the company moving forward...*) (A.S.1.3). Respondents revealed that within COMPANY A, people are free to contribute, so if people see something or an opportunity then they are encouraged to tell the relevant people about it. For example, the respondents explained how COMPANY A supports its staff when they installed a new robot. They have been trained and consulted to think of new ways to try and get the robot to work. As the Operation Manager of COMPANY A commented: (*...During my time here we have educated the whole workforce from top to bottom which has resulted and achieving level 2 as a minimum qualification for all our employees, all the way up to MSc, MBA, and I&D "Institution of Director" diplomas in company director...*) (A.M.2.3).

**Table 7.2: Relationship with organisations' staff**

Strategy day where everyone has been involved	People have the knowledge So they've new product development person and R&D person	The staff have been trained on the robot manufactured by Fannock & educating the whole workforce	Very open culture, that's the policy everybody getting on with their work
The reasons we employ 60 sales people is because that gives us 60 frontline market researchers Continuous improvement team meetings which Includes everybody	Encourage people to become an expert or have a very substantial understanding of the issue It's only in its infancy with regards to the product management role.	Every individual has training plan  Every employee is given an overview of financial performance so they understand how the Business doing	We listen to our staff who are great source for developing  If you have a suggestion or an idea might make a product better to manufacture, the environment allows you
We do involve people but It depends if their input is relevant	Decisions about strategy or a budget we involve everyone that needs to be involved	Invite staff to attend a customer service course to pick up Better skills and understanding	The ability of senior management and engage the staff in conversation
Requirements are sent Straight and they work themselves out as to how they manage their time	They have got the freedom to a degree to be able to change things in discussion with perhaps their manager	They have come up with their own schedule as a workforce & financial data available to them all the time	Everybody has to be involved in but you make sure that the people are listened to
The project will be led by a six-sigma black-belt with a team of people working to come up with a solutions	We've got a couple of employees came to us with ideas to improve one of the departments	We are an investor in people	People become part of the process, so you do have to promote it
People have to manufacture what they design	Contributing all the time because that's the environment that we try to create	Encourages people to take out patents on Its behalf and It gives time to people to create patents	Informal relations easy for small company

Respondents revealed that COMPANY B employs 60 sales people who probably meet with approximately 1500 customers every week, which gives the



company 60 frontline market researchers and that is one of the areas that COMPANY B gets its ideas from. As the Managing Director of COMPANY B commented: (*...One of the reasons we employ 60 sales people is because that gives us 60 frontline market researchers, they are the ones out there in the market dealing with the customers, dealing with their problems and it is by doing that we identify opportunities and new products...*) (B.M.7.3).

Respondents confirmed that COMPANY B's best way to develop, is to encourage people to become an expert or have a very substantial understanding of an issue, because they are a great source of developing it. As the Managing Director of COMPANY B commented: (*...We challenge people to get to the heart of the issue and not take feedback at face value, but encourage people to become an expert or have a very substantial understanding of the issue is the best way to develop it. That's a very important part of the management process...*) (B.M.31.4).

In terms of how employees often meet and get involved in the management process, respondents believed that as an SME and because of the culture within the company, employees can meet whenever they want. As the Managing Director of COMPANY B commented: (*...The question is more targeted at a more bureaucratic organisation; our people can meet as often as they want...*) (B.M.12.1). On the other hand, respondents revealed that COMPANY B has a very low level of staff turnover and every employee within COMPANY B has a training plan as support and they have an annual appraisal for everybody. Everyone knows the training plan at the beginning of the year and then if there is an issue on particular machines or something is not working right, they re-plan it. As the Research and Development Manager of COMPANY B commented: (*...We review our training plan throughout the year as well whether the training plan has been met whether we are meeting our objectives so we see training as essential to be competitive in business...*) (B.D.14.8).

In terms of the COMPANY C case respondents expressed the view that every week it has what they call a "continuous improvement team meeting" which is generally very manufacturing focused and includes everybody. Nevertheless, respondents suggested that COMPANY C prefers small and self-managed

employee teams but with regard to employees' contribution it has been limited. It appears to show that if senior managers within the company think an employee's idea looks reasonable and does not affect the quality, it gets through. Without any input, suggestions would not make it to the top decision level because they are not really involved to offer any input to the running of the business. As the Product Manager of COMPANY C commented: (*...Again because it is only in its infancy with regards to the product management role, we have not really had anything that is come through from the employees here...*) (C.J.15.1).

Respondents revealed that COMPANY C appointed a Product Manager not only to go out and visit customers but also to get the feeling from people within the company. Moreover, as support from the management, people within COMPANY C know if the company is ahead or behind with the budget. As the Managing Director of COMPANY C commented: (*...Every signal employees get a brief overview of financial performance so they understand how the business is doing...*) (C.N.22.2).

Respondents of COMPANY D assured that in most of their meetings, they put together actual logs of what has been decided, what has been discussed and who needs to take responsibility further down the line and in most of the cases it is just for people that have attended the main meetings. However, as the Managing Director of COMPANY D commented: (*...When it comes to big decision about strategy or a budget we involve everyone that needs to be involved and let them have their say...*) (D.D.17.2). Respondents revealed that COMPANY D tries to give opportunities to their staff to improve their career or understanding of customer services through training courses, engage the staff in productive conversations and also take into account what the staff think in the decision making process of the areas they are responsible for. As the marketing manager of COMPANY D commented: (*...We will invite say 6 of our staff to attend a customer services excellence course to pick up better skills and understanding, same with sales and marketing and branding, that is probably the main way that it is led in the company as it stands...*) (D.D.8.3).

Respondents expressed the view that COMPANY E makes financial information available to everyone and it tries to avoid the culture of management telling staff

what to do. Hence customer requirements are sent directly to staff and as a result, the staff work out how to manage their time, so they create a culture of how to accomplish things. For example, they make sure that they do not take holidays together and they make sure that the materials are available on time. As the Cell Development Manager of COMPANY E commented: (*...The customer's requirements are sent straight through to staff and they work themselves out as how they are going to manage their time...*) (E.R.15.3).

However, it appears to show that despite the fact that employees have got the freedom, to a degree, to contribute to organisational changes and that they are listened to, they still have to discuss any suggestions they make with their manager. As the Cell Development Manager of COMPANY E commented: (*...There are all sort of different ways of innovating. People are not really set in their ways and never change anything, they have got the freedom to a degree to be able to change things in discussion with perhaps their manager...*) (E.R.29.5).

Respondents suggested that, for example, the COMPANY F board will have ideas on where projects should focus but then the project will be led by a Six-Sigma expert with a team of employees working with them and they will come up with a solution rather than the leaders trying to come up with a solution. As the group Finance Director of COMPANY F commented: (*...We have got a couple of employees came to us with ideas to improve one of the departments, so we gave them time away from their normal job to try and work on that...*) (F.D.11.5).

Respondents revealed that COMPANY F give employees opportunities and encouragement to talk. They have a say on how they lay out their area so they are part of the business process because the people on the shop floor have got much more knowledge on how to manufacture. As the Group Operation Manager of COMPANY F commented: (*...We are an investor in people so people know that if they want any training in a certain area, then we will look at putting them on some sort of training course, if we have new technology, and a new machine that we have bought, then we will invest in the training of the people. So they are part of the business...*) (F.A.11.4).

Respondents expressed the view that COMPANY G takes advantage of its size, as a small company, therefore managing people is not a problem where employees have to manufacture what they design. Their contribution is throughout since the company is based on it, using informal interaction with each other and the management as whole.

The research shows that employee involvement in an organisation's innovative decisions can add to organisational knowledge and as result improves its competitive position (see table 7.2). This is confirmed by Dewettinck and Ameijde (2011) who argue that employee empowerment can give a company a sustained competitive advantage, thus employee empowerment is of critical importance in today's competitive work environment. Furthermore, Morgan and Zeffane (2003) argue that direct employee management will provide several key gains: improve organisational performance; improve operational and financial performance; and eliminate the need for a union presence. Dewettinck and Ameijde (2011, p300) further argue that, "the involvement of employees in decision making can increase their feelings of empowerment by showing that they have an impact on the process within the organisation". Hauptmeier (2009) argues that managers do not have the full rational capacity to compute best practices, they have incomplete information and they have no clear knowledge about end user relations. Respondents believe that employees, as frontline staff with direct contact with customers, can be a good source of information and as a result influence organisational competitiveness and innovation. Dewettinck and Ameijde (2011) suggests in their findings of the research with 380 frontline service employees, that leadership empowerment behaviour, which is a contextual element, is a factor that should not be neglected in theorising on how intrinsic motivation takes shape.

Respondents confirmed that shop floors employees have significant knowledge of how to manufacture and their positive feeling towards organisational competitiveness and innovation is significant therefore, companies should encourage people to have a good understanding of the business and also that they should participate in the strategic direction of business. It has been suggested that organisations are looking to encourage increased participation amongst shop floor employees and are seeking to delegate traditional

managerial decisions to lower levels. As a result this creates a new work environment for many lower level employees and also enforces changes on management functions (Barton and Delbridge, 2001). However, respondents believe that in some cases employees' contribution is limited when the management thinks the employee's ideas do not look reasonable and it might affect the quality. It has been argued that hierarchical structures and leadership techniques should be complemented with management practices aimed at the empowerment of employees even though those techniques have traditionally dominated management practices (Conger and Kanungo, 1988; Forrester, 2000) cited in (Dewettinck and Ameijde 2011). Too great an emphasis on rank or status can destroy any employees' ambitions. Thus, employees who feel trusted are much more likely to collaborate and share information that will help the organisation satisfy customer demands. Highlighting similarities rather than differences can help cultivate trust and a community spirit (General review article, 2009).

The study appears to show that training is a key factor in supporting and gaining employees' interaction, as well as building their skills and abilities. A significant determinant of this will be the way employees are developed, including the training they receive which is considered to be an important factor for an organisation to succeed (Barton and Delbridge, 2001). Training in some organisations is viewed not as a means to develop skills but as a socialisation tool (MacDuffie and Pil, 1999) cited in (Barton and Delbridge, 2001), and also sharing financial information encourages employees to be free to talk if they see an opportunity and engage them with conversations. Companies should encourage employees to regularly visit customers and interact with them.

In the decision making process, it is important for companies to take into consideration the thoughts of employees that are responsible for the relevant area as well as empower them to come up with solutions rather than just the leaders trying to come up with a solution. This is confirmed by Dewettinck and Ameijde (2011) who emphasise that leaders should adopt leadership behaviour, such as leading by example, participative decision making, coaching, informing, showing concern and interacting with the team. However, organisational competitiveness and innovation is more than customers and employees'

relationships and contribution, thus the following section explores another area to try to complete the full picture.

### 7.3. Relationships with Distributors

As discussed before with regard to the customers relationships section, some companies in this study consider distributors and suppliers as customers even though they are not the end-users of their product. In those cases, and based on the data given by respondents, distributors could be defined as an intermediary body that operates between the company and its customers or end-users. The findings suggested that direct relations with customers provides useful source of knowledge for organisational innovativeness; direct relationship with end-users is significant in understanding their requirements and helps in being able to respond to it correctly. However, some of the studied companies rely on intermediaries such as distributor, suppliers and agents.

Table 7.3: Distributors' Relationships

Having a sales force rather than relying on distribution	In getting the products onto market but not necessarily effective in developing relationships	Benefit by local knowledge, the local knowledge and the culture	Try to develop long term partnership with customers
Sell through distributors generally and those distributors are part of COMPANY C Group & The OEMs the agents in Europe	Use distributors as our customer even though they are not the ones using their product	Use distributor with regular contact for the market knowledge	Every one of the distributors gone through training and they organise evenings
Different people in different countries distribute and sell our product	As a source of information and improvements & they are reliant on their own ability to sell as they are commission based	Inviting key distributors into the international business development conference	Our agents, area sales managers, and distributors are constantly in contact with each other

Respondents revealed that COMPANY B has a sales force rather than relying on distributors, the company always employs nationals from the country that

they work in with local knowledge and COMPANY B always tries hard to convince them that they should have the culture of the parent company as well. Moreover, it always tries to develop a long term partnership with customers. As the Managing Director of COMPANY B commented: *(...It is based on our structure which is having a sales force rather than relying on distributors. Distributors is reasonably effective in getting the products onto the market but not necessarily effective in developing relationships and creating that environment for growth...)* (B.M.16.1).

Respondents expressed the view that COMPANY B has so many different cultures and many different nationalities in international sales as the company tries to recruit people from those areas where they sell. It has 27 sales staff in France, 2 in Belgium, 2 in Holland and 4 in Germany. It also has Indian staff, South African and Australians as Australia is a big international market for them. Respondents believed that the company benefits by local knowledge, the local knowledge of the people and the culture. The Research and Development Manager of COMPANY B commented: *(...In Europe we are very strong in France because we have got very lot of France sales employees, in Spain we are not strong in Spain though our French colleagues went to Spain to sell he found it very difficult to sell in Spain when we employed Spanish national then things were improved because of local knowledge and because the Spanish prefer to buy from a Spanish national...)* (B.D.25.5).

It appears to show that COMPANY C has a different story, it sells its products through distributors who are part of the COMPANY C group. It uses them as its customers even though they are not the one using its products but they are the voice of the customers. The findings of this study showed that the company does not use any customer surveys instead they listen when the distributors offer any criticism or when they come up with something good. COMPANY C supports its distributors with the tools, knowledge, training and socialising to create a team working culture and enhance the relationship with them. As Managing Director of COMPANY C commented: *(...We have had every one of the distributors here in Barnsley, they have gone through training, we have gone through organised evenings where we are together like a team building and trying to get to know them as well as just have them here on training...)* (C.N.15.3).

Respondents affirmed that COMPANY C has a big distribution network throughout Europe and America. It is challenged however to get the right market knowledge from the end-users since the sales of its products rely completely on distributors. As the Product Manager of COMPANY C commented: *(...Some companies will ask us to quote upfront and we quote upfront, whereas the other customers don't, probably because they want to get the order first and, irrelevant of what the customer has said, they take it whichever way they can to get the order and then they address the problem later of how much it's going to cost. I wouldn't say they do it intentionally but I would think that there's a little bit of a grey area with them as to what they are telling us...)* (C.J.20.3).

For example, based on the data given by respondents, COMPANY C does not know who is doing well in the French market selling machinery and what new companies might be there. They rely on the French distributors to get such information. It has to go through the distributors or the OEMs to sell its products and therefore it builds strong relationships with them since they have more knowledge on the markets and to prevent the loss of core product business which keeps the company going. As the Managing Director of COMPANY C commented: *(...There is one product in particular that we do not sell a lot in the UK so we actually become quite inexperienced with it and then what happened is our distributors sell more than we do and therefore, as their learning curve experience increases they know more than we do because they are selling more and we sell quite a simple product...)* (C.N.26.3).

Respondents revealed that COMPANY D has a number of different agents and distributors in various countries selling the company's products. The challenge in these countries is where competitors have manufacturing bases there, so they do not have to pay for the transportation costs from the UK to somewhere else. In terms of new product development, respondents believed that COMPANY D considers its agents and distributors as a source of information. The company organise what they call an International Business Conference with key distributors to brainstorm around new product development as well as get feedback about what they are doing. As the Managing Director of COMPANY D commented: *(...We have one of the things that we are doing next month is we are having an international business development conference*



*where we are inviting key distributors and one of the key things we will be doing during that time is getting them to come up with new ideas...*) (D.P.20.1).

Respondents expressed the view that COMPANY D actively visits its agents and distributors on a monthly and quarterly basis feeding them with a lot of information about new projects, getting feedback and supporting them with appropriate marketing tools such as translated brochures. Thus, the company is relying on them to sell its product and they are reliant on their own ability to sell, as they are commission based. As the marketing manager of COMPANY D commented: (*...We are reliant on their ability to sell and again they are reliant on their ability to sell as they are commission based so if they are only doing £20,000 a year they are not going to get paid much...*) (D.D.22.2).

The relationship between the manufacturer and the overseas intermediary encompassing many of the problems encountered in the domestic marketing channel is a complex one (Moore, 1992). Experienced distributors often have better market knowledge and information (Lin and Chen, 2008). Distributors function as the manufacturers' marketing arm, transferring knowledge of customer needs and market trends back to them (Paun, 1997) cited in (Lin and Chen, 2008). Moreover, for many medium and small sized manufacturers that might lack sufficient knowledge and information to select distributors, finding competent distributors is an important issue (Lin and Chen, 2008). Today's agents and distributors, stand between production and consumption (Merritt and Newell, 2001; Shipley and Jobber, 1994) cited in (Lin and Chen, 2008) and they are independent businesses pursuing their own goals (Moore, 1992). This argument confirms the study findings that the possibility of a grey or ambiguous area between manufacturers and agents/distributors might happen. However, for manufacturers recruiting good distributors can improve their performance and even increase their competitive advantage (Lin and Chen, 2008). Therefore, agents/distributors should be given the sole rights in their territory to act as an incentive and also a suitable commission structure should be developed and agreed (McMillan and Paulden, 1968) cited in (Moore, 1992). Lin and Chen (2008) argue that manufacturers cannot expect numerous quality distributors to vie for their business, except for those with extraordinary reputation and prestige.

The findings show that some companies benefit by local knowledge, that is the local knowledge of the people and the culture and they are reliant on a sales force rather than relying on distributors. Other companies use distributors as its customers even though they are not the one using its products. It appears to show that some companies do not use any formalised customer research such as customer's surveys and instead they are reliant on the distributors' feedback. They support them with the marketing tools, knowledge, training and socialising to take advantage of the relationship with them. However, based on the data given by respondents, agents and distributors for some companies are considered to be a good source of information towards organisational competitiveness and innovation. However, there is a challenge facing those companies that rely on agents and distributors to get the right market knowledge about the end-users. The other challenge that this study found is that competitors in other countries where they have manufacturing bases have the advantage of not paying transportation costs as home based companies. The following section looks at a different area of organisational relationships with the outside world and its impact on the organisational competitiveness and innovation.

#### **7.4. Relationships with Suppliers and other Organisations**

It is becoming harder for organisations to remain independent in a turbulent and changing environment (Crossan and Inkpen, 1995) cited in (Wong, 2002). A reduction in the complexity of their environment and gaining more control over environment factors can be achieved, by working cooperatively with partners (Wood and Gray, 1991) cited in (Wong, 2002). The following Table 7.4 shows how the studied companies manage their relationships with suppliers and other organisations to enhance their organisational competitiveness and innovation.

**Table 7.4:** Relationships with suppliers and other organisations

Purchasing leader keeps in touch with suppliers for flours and raw materials	A university	monitoring, inspection, and advice	Knowledge transfer with partners	Building up their profile by networking and work with a lot of agencies
encourage suppliers to take part in their events	Three universities & other organisations	Treat them sometimes as colleagues by supplying larger volume	Exchange of key information	Try always to use local companies as well as the universities import
Use local distributors and local companies to provide market knowledge	Two universities	Product development & finance element analysis	Universities much to the academic clock and not the business clock	Suppliers & partners and listen to them when they are developing new project
Manufacturing business rather than a research and development organisation they always use other's resources	A university, business link and Yorkshire forward &	Helping them to unlock The potential within their staff & to look at the entire company	Exchanging information & undergone some projects to help the company	Listen to our partners, customers and colleagues
Use local suppliers & a lot of customers supply their own material	Engineering and research institutes & AMRC advance research and manufacturing centre	Looking at what other people have done & to help innovate in their own internal processes	It's an extension of their workshop rather than us selling them products	Looking at long term partnership & using principle of good supplier relationships
Got access to steel mills and a good relationship with steel mills	TWI the welding institute	Provide information, equipment and raw material	Not really an research and development type of organisation	Strong relationship with their equipment suppliers
Design and Manufacture to Purchase Agents	Two universities	Provide a request for a fixture with specifications	Trust in relations	Permission to go down onto the manufacturing line

Respondents revealed that COMPANY A distributes their products using their fleet of vehicles. With regard to suppliers, COMPANY A has a purchasing director who keeps a good relationship with suppliers for flours and other raw

materials. As the Human Resource Manager of COMPANY A commented: (*...We have a purchasing director; he mainly keeps in touch with suppliers for flours and raw material...*) (A.S.16.7). This point reflects the significance of direct relationship at all levels and in all relationships.

Respondents expressed the view that COMPANY A has a good relationship with the Centre for Food Robotic and Automation (CENFRA) organisation which was set up by Yorkshire Forward. COMPANY A started getting involved and built a relationship there so the robot has been facilitated by CENFRA. Furthermore, COMPANY A organises events and seminars with a university and other organisations to help the business in the future. As the Human Resource Manager of COMPANY A commented: (*...you know networking and a lot of different agencies, we work with schools for instance, and we work with the job centre so different outside agencies that we communicate with, it all builds together and build up our profile...*) (A.S.23.2).

COMPANY A has to comply with food laws, for example, it needs to keep its bread below a certain temperature. Respondents affirmed that the company gains knowledge from universities and other partners so they are involved in the Knowledge Transfer Partnership programme to help COMPANY A to choose which system works for them. As the Human Resource Manager of COMPANY A commented: (*...We have got a SAP system for all the orders, which was a massive project so the university did help with that and we feel like we are helping the university because they need to get research as well...*) (A.S.30.3). The finding shows that one of the things came out from the Knowledge Transfer Partnership was an online holiday system. COMPANY A has an online holiday system like the local university, that allows staff to book holidays and a manager or director authorises it. It has made it a lot more user friendly and much more secure. The findings show that COMPANY A learns from its partners such as CENFRA and universities and by visiting other countries and receiving researchers (4 students from Singapore for 6 weeks worked in the bakery every day in COMPANY A). As the Operation Manager of COMPANY A commented: (*...That is why I am the chairperson of the centre of the food robotics and automation, that is why I am a governor at Barnsley College because we believe that learning is very important for our organisation and we believe that if*

*you stop pedalling your bike you will fall off, you have got to keep moving and keep driving things forward...)* (A.M.6.4).

Respondents explained that COMPANY B operates a Knowledge Transfer Partnership with a number of universities so the company relies on the universities to do their pure research. However, it also encourages suppliers to be part of COMPANY B, therefore, it freely gives information to all of its suppliers at the start of each financial year. COMPANY B's shop floor is very IT connected, all of the machines have computers attached to them, recording the number of units so that the stock control is transparent on everybody's PC. They know how much they have produced and how much they have sold each day. That information is also transmitted to their key suppliers so they know when COMPANY B is getting lower for certain components which will trigger them to send more supplies. As the Research and Development Manager of COMPANY B commented: (*...We encourage our suppliers to take part in our events so if we are working on an event inside our components there is very small components, if we saw their part was contributing to the problem we will invite the supplier to send people to be part in our training programme and to understand and we would spread it through our suppliers...*) (B.D.16.1).

Respondents revealed that COMPANY B works with the Design Council and they are using centric design as a new tool in the company. COMPANY B is bringing it in as best practice throughout the organisation. They suggested that being located in Sheffield has been very good for the company because it has got two good universities that have both got research capabilities. COMPANY B treats its suppliers as colleagues because it see it as a win-win situation. As the Research and Development Manager of COMPANY B commented: (*...We have a relationship where you can just pick up the phone and on first name terms with almost like you can treat them sometimes as colleagues because we all working for the same thing we both win by them supplying larger volume to us...*) (B.D.22.1).

One of COMPANY B's drivers is always using local companies and universities and trying to source supplies from as close as possible. Respondents confirmed that COMPANY B's policy of sticking with their original supplier is more competitive since the Chinese costs have now increased. As the Research and

Development Manager of COMPANY B commented: (*...The people who are survived in this country in the West Midlands are becoming very competitive by pairing their business and putting more automation and now we can get prices from the West Midland on a par with China where we have a two hours journey as opposed to 6 hours journey so things have got more competitive by necessity...*) (B.D.22.10).

Respondents revealed that COMPANY C uses local distributors and companies to supply market knowledge. It has a close relationship with one university and it contacted another one to do finance element analysis, also COMPANY C gets information from other organisations like the Advance Manufacturing Research Centre (AMRC) in Sheffield. As the Works Manager of COMPANY C commented: (*...We actually have got quite close relationship with one university with various department so we went down to the material lab down there with the samples and guys came up with a report and also we had a masters student who carried out a project on a robotic moulding of a particular product on a particular item of an operation that we made because it is an operation where we will spend a thousand of money of a year with a guy manually moulding these parts...*) (C.P.27.2).

However, based on the data given by the participants the biggest challenge is that the business clock is sometimes different from the academic clock which does not always understand the business pressures and as a result they do not respond on time. Respondents expressed the view that COMPANY C promotes its relationship with suppliers by listening to them especially when they are developing a new project. So, companies do benefit from their relationship with the outside world but time is a key issue here. As the Works Manager of COMPANY C commented: (*...Sometimes the biggest problem is trying to get the universities to respond to you in timely fashion because universities march to the academic clock and not the business clock so sometimes we want an answer in that just seems to take an awful a lot longer...*) (C.P.27.8).

Respondents showed that COMPANY D is always happy to use other resources, since it has limited resources and their experience is effectively in the manufacturing business rather than a research and development organisation. Therefore, it has good relationships with Business Link and

Yorkshire Forward which are both funded organisations. It also works with Alchemy Exchange within in a university to help to unlock the potential within its staff. It is involved in another scheme with Emerse which is designing demand and working with Business Link to look at the entire company. As the Managing Director of COMPANY D commented: (*...I think, it is a question of resources and expertise which the universities can offer which we have already tapped into...*) (D.P.40.2). It appears to show that COMPANY D tries to be as close as possible to its suppliers thus it exchanges a lot of information about the company's projects. As the marketing manager of COMPANY D commented: (*...We will have our workshops, we are involved with a university Business School to innovate, we are involved with Emerse scheme and I think we are just good listeners...*) (D.D.42.1).

Respondents expressed the view that COMPANY E is trying to deal with its customers to supply the raw material. So the customer supplies a casting, COMPANY E machines it and then gives it back to them. They are also dealing with the suppliers as customers because a lot of the customers supply their own material so it is free. The company used to manufacture a lot of products in-house but the profit margins were insufficient, thus, COMPANY E is putting in a programme to use local suppliers for those products. As the Cell Development Manager at COMPANY E commented: (*...We are now putting in a programme to use local suppliers for those products and that is going pretty well at the moment but we need to keep on top of it and for example, this afternoon, I have got a meeting to discuss how we are going to keep on top of those relationships, because it is important to make sure that they are supplying us on time in full with quality products so that we can pass that on to the customers...*) (E.R.18.5).

Respondents revealed that COMPANY E obtained an innovation voucher through Business Link to use with the Material Engineering Research Institute (MERI - part of a university). It also has a relationship with AMRC (which is a different university) to help innovate COMPANY E's internal processing and COMPANY E has relationships with other institutions, for example consultants. The findings show that COMPANY E is always trying to look at long term partnerships. As the Cell Development Manager of COMPANY E commented: (*...We try and work with the supply chain so it is an extension of their workshop*

*rather than us selling them product, so it is really helping them and we are able to put in investment into other services which the customer might require rather than just providing them with machining...)* (E.R.7.5).

Respondents confirmed that COMPANY F does not partner with universities in a significant way because they are not really a research and development type of organisations. COMPANY F is a member of several organisations, one of which is The Welding Institute (TWI). It appears to show that the TWI UK is very innovative. They have invested in a piece of equipment called Friction Stir Welding which is unique in the world and COMPANY F is working with them in looking to take this equipment on a production basis. As the Group Sales Director of COMPANY F commented: *(...In terms of suppliers, a lot of our equipment suppliers are quite good, we have got very strong, very long relationship with them, over since the company started...)* (F.K.14.2).

Respondents revealed that COMPANY F has got a good relationship with its raw material suppliers. It has access to steel mills and has experience in laser cutting, water-jet cutting, pressing and welding particularly in armoured and hard products. As the group Finance Director of COMPANY F commented: *(...We have got access to steel mills and a good relationship with the steel mills, so we can when suppliers are tight; we have got good access to quality hard and armoured material...)* (F.D.16.1).

Respondents affirmed that COMPANY G designs and manufacturers to purchase agents, they are engineers who ask the company to design a fixture but the engineers are not the people who will ultimately use the fixture. COMPANY G has a good relationship with the two universities. As the Training and Design Manager of COMPANY G commented: *(...We work with both X and Y universities here and R&R works with many universities and many organisations and many companies worldwide on this open innovation...)* (G.G.27.1).

The findings suggest that COMPANY G's trust in relationship with engineers/agents is a key factor in getting the right information. It gets its requests of fixtures from engineers/agents with the specifications, however, COMPANY G seeks permission to speak to the people that have to do the job. As the Training and Design Manager of COMPANY G commented: *(...We have*



*a policy that whenever, we receive a request for a fixture, we read the request and we read the specification and then after we have read it we actually seek permission to go down onto the manufacturing line, the production line and speak to the operators about what we have been asked to produce and sometimes there is no relation between the two...)* (G.G.16.3).

Wong (2002) argues that organisations are increasingly recognising the significance of suppliers to be included in the company's team to improve the quality of their products and services. Poirier and Houser (1993) cited in Wong (2002) state that to establish a clear vision for focusing the efforts of people who work for buyer and suppliers, true supplier partnering requires an understanding of each party's needs and capabilities. Thus, to understand the needs of suppliers better and handle conflicts with suppliers better, an open minded attitude in the interactions with suppliers is needed (Wong, 2002). Respondents believe that building good relations with suppliers can enhance organisational competitiveness and innovation.

It is interesting to find that such relationships are crucial even for suppliers themselves, "relational capabilities are crucial for small and medium-sized suppliers in addressing many of the changes in their relationship requirements and in responding to market challenges. Innovation is enhanced through suppliers working together with their larger customers. It is not only the smaller suppliers that gain from the relationship – larger customers also benefit; there is mutual gain and hence co-creation of value" (Ngugi et al., 2010, p274).

The value behind networking with the outside environment is the acquisition of additional, often complementary, expertise and knowledge that is not available within the company, but necessary to develop and commercialise their products further (Koschatzky et al., 2001) cited in (Gubeli and Doloreux, 2005). Respondents believe that relationship with universities is crucial in the development of new projects. The commercial imperative is there for universities to work with businesses, however the challenge is how do universities reach out to businesses and how do they make sure that businesses know what they can offer? (Kitson, 2004). It could be argued here that the same challenge exists for businesses. How can they benefit from universities and get the right response on time. Kitson (2004, p285) argues that

"businesses should feel encouraged to look at the universities collaborations to see what services they may offer, while if they have a need that is not immediately addressed they should not be afraid to ask". Networks protect organisations from isolation so they may control the development of innovative technology more efficiently (Hakansson, 1989) cited in (Gubeli and Doloreux, 2005).

Respondents confirmed that trust is a key factor in getting the right information and assistance, that SMEs seek from stakeholders. They suggested that some cases use mediators, agents, suppliers, and distributors as customers and because they are not the ultimate users, companies sometimes misinterpret and misunderstand customers' requirements. Thus, the findings suggest that in this case companies should always seek permission to talk to their end users. This is confirmed by Ndubisi (2007) who argues that companies should pay close attention to issues of trust, commitment, communication and conflict handling in order to gain customers loyalty.

Trust is defined as the expectation in a relationship that the other will act reliably, fairly, and exhibit goodwill. With regard to innovation, higher trust is associated with a greater willingness to share and disclose information and knowledge, especially if it is sensitive or of value (Conway and Steward, 2009). However, the issue of trust by relying on a partner, which has been defined here as "a willingness to rely on an exchange partner in whom one has confidence" (Moorman et al., 1993) cited in Ndubisi (2007, p99) is problematic. A betrayal or misuse of this trust by the supplier or service provider could lead to defection (Ndubisi, 2007).

With regard to an organisations' relationship, respondents suggested to keep a good relationship with suppliers, as well as organises events and seminars and build relationship with other organisations such as universities to help the business enhancing its organisational competitiveness and innovation. The findings shows that companies gain knowledge from suppliers, universities and other partners, hence they get involved in the Knowledge Transfer Partnership programmes, for instance, to help companies choose which systems works for them. In addition, some companies rely on the universities to do their pure

research and they also encourage suppliers to be part of the company, therefore, they freely exchange information.

Respondents revealed that one of the key drivers for companies to be competitive is to always use local companies, as well as universities and try to source things as locally as possible. They suggested that some companies who have stuck with their original suppliers have found them to be more competitive than Chinese suppliers, whose costs have now increased. Also increased automation within companies has put prices down. Based on the data given by the respondents, the biggest challenge for promoting the relationship with universities is that sometimes the business clock is different from the academic clock and that universities sometimes do not fully understand the business pressures and as a result, do not respond on time. Respondents confirmed that trust is key factor in building good relationship with suppliers or other organisations. Some SMEs are always happy to use other resources, since their own are limited and their experience is largely in the manufacturing business rather than as a research and development organisation. However, some companies do not have any relationship with universities because they are not research and development based organisations. Thus, organisational competitiveness and innovation is about multiple paths within SMEs. The following section explains the role of relationships and collaborations in organisational competitiveness and innovation construction.

## 7.5. The Role of Relationships and Collaboration in Building Competitiveness and Innovation capability

This section summarises the analysis of this chapter; it emphasises the significance of relationships and collaboration within the studied SMEs in building organisational competitiveness and innovation capability.

**Figure 7.1.** Role of organisational relationships and collaborations in building competitiveness and innovation

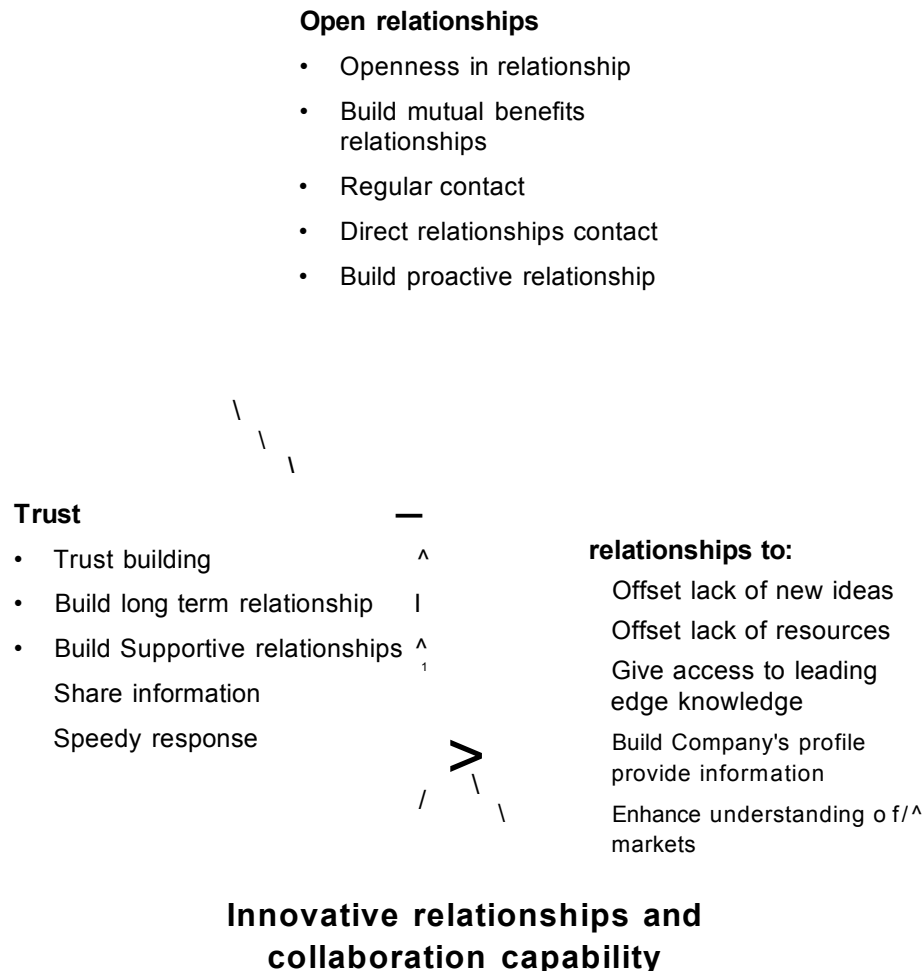


Figure 7.1 explains the contribution of relationships and collaboration capability in building organisational competitiveness and innovation. It suggests that organisational open relationships by forming open relationships, building mutual benefits relationships, regular contact, direct relationships contact and building proactive relationships influence innovative relationships and collaboration

capability. Furthermore, trust building, building long term relationships, building supportive relationships, sharing information and quick response influence trust and as result influence innovative relationships and collaboration capability. Figure 7.1 shows that relationships and collaboration capability is used to compensate for limited resources or new ideas and can get access to leading edge knowledge, which helps to build a company's profile and provide information and enhance understanding of the market. Organisations that build open trusting relationships and develop collaborative partnerships, give them access to new ideas, resources, leading edge knowledge, influence and enhance their organisational competitiveness and innovation capabilities.

The analysis demonstrates that smaller companies lack resources to acquire all the knowledge that they would like to have about the industry, market, sales, new product development, learning, understanding about all elements and ongoing understanding of customers' requirements. The involvement of staff and trustful relationships with distributors, suppliers and research organisations are needed in decision making to enhance organisational competitiveness and innovation. That is, these companies lack resources to market and sell their products on their own and lack the power and influence in the market to generate sales. They lack the research capability to be experts in all the areas of expertise that they need. Thus relationships with customers, employees, distributors, supplier and other organisations are crucial to fill in the gaps and enhance the organisational competitiveness performance.

It has been concluded that all the stakeholders can influence the decision making process within the studied companies if leaders or organisations allow this to happen. Leaders and organisations seem to have limited information sometimes and being open to the stakeholders mentioned in figure 7.1 can help in enhancing innovation. This is confirmed by Seybold (2006) who suggested that it is true, that there will always be scientific and technical breakthroughs that come from the laboratory that customers cannot foresee. In addition, there are an equal number of business innovations and business process breakthroughs that have emerged from customers. This can be achieved by working alongside customers helping them transform their ways of doing things and deeply understanding their context and their motivations. However, the author found that its more than working alongside customers, it is about the

involvement of all stakeholders. Furthermore, their attitude and their openness to the influence of stakeholders can help their competitiveness and innovation position.

This thesis suggested that a lot of the new ideas come from the marketplace but companies do need to interact with all the key stakeholders. The author concludes that personal contact and proactively going out and seeking knowledge is key in enhancing organisational competitiveness and innovation. However, it is not just external stakeholders but internal stakeholders too that are equally important, as companies consider employees as market researchers. Encouraging them to get to the heart of issues and not taking feedback at face value help in exploiting all sources of new idea generation.

Thus companies build their knowledge from all their relationships and use this in to helping them make strategic decisions. The holistic approach showed the diverse contribution that relationships make to building competitiveness and innovation. It is about exploiting all sources of knowledge and managerial learning to generate ideas, understanding markets, learning how to build competitive capability and resource availability that help in the decision making.

## **7.6. Summary and Conclusion**

The analysis suggested that organisational relationships and collaborations influence organisational competitiveness and innovation. The studied SMEs compensate for their lack of knowledge and resources, by forming relationships and collaborating with their stakeholders such as customers, employees, distributors, suppliers and other organisations.

The data analysis revealed that the driver for companies to form relationships with stakeholders is to offset a lack of resources and knowledge, develop new ideas, build profiles, understand the market and provide knowledge and information. Furthermore it is suggested that organisations should be open and have regular contact with its stakeholders and form long term relationships, since trust is key in making effective relationships and collaborations.

This chapter highlighted the importance of local knowledge as well as relationships with local companies and universities. It emphasised the significance of direct relationships with stakeholders, speedy response, mutual

benefit and supportive actions with them. However, relationships and collaboration capability is not about managing these relations. It is about its contribution in providing knowledge and resource to enhance organisational competitiveness and innovation. Organisations need to be open to their stakeholders and improve their organisational relationships and collaborations to enhance their organisational competitiveness and innovation. The next chapter elucidates the theoretical explanations of innovative leadership, structure and culture and relationships and collaboration capabilities in order to influence organisation organisational competitiveness and innovation.

## **Chapter 8: Conclusion and Recommendation**

### **8.0. Introduction**

The purpose of this chapter is to summarise the insights developed in the previous chapters as to the nature of SMEs and how they exploit their organisational capabilities to build up organisational competitiveness and innovativeness and explain the contribution to knowledge of this thesis. Finally, limitations and further research are proposed with a personal reflection on the author's research journey.

The focus of this thesis is to develop an understanding of the organisational capabilities in SME's necessary to build a competitive and innovative capability. Specifically, the thesis aims/objectives were to investigate the relationship between organisational leadership and culture and competitiveness, to identify organisational capabilities that influence organisational competitiveness and innovation, and to investigate the drivers that influence the development of organisational competitiveness.

It was suggested that the current literature on organisational competitiveness and innovation lack a holistic understanding of organisational competitiveness and innovation as developed in SMEs. The literature was largely focused on large companies who might have sufficient resources and are well established in their market. In order to understand how businesses develop their competitive and innovative capabilities, the main themes identified in the literature on organisational leadership, structure and culture and relationships and collaborations in explaining competitiveness and innovativeness, were explored further through a sample of SMEs in South Yorkshire.

It was also suggested by the author that previously there had been limited research into organisational capabilities, which influenced organisational innovation and competitiveness in SMEs. Therefore, the endeavour in this thesis was to explore the capabilities of SMEs and how these capabilities could be organised and exploited to develop a theory of enhancing organisational competitiveness and innovation. Because the companies come from different situations, therefore the endeavour in this thesis was to study the subject by using a holistic approach which led to an in-depth insight of organisational



competitiveness and innovation and support the selection of the inductive approach followed.

## **8.1. Key Insights Developed from the Data Analysis**

### **8.1.1 Organisational Competitiveness and Innovation**

To gain a better understanding of organisational competitiveness and innovation, this thesis investigated seven SMEs and how they managed their competitiveness and innovation to survive in their environment. The cases studied differed in the nature and type of innovation strategies they pursued. The companies varied between pursuing incremental and more radical strategies. Some companies interpreted innovation in terms of new product/service/process. In particular, some organisations pursued incremental improvements to product/service/process whilst others sought innovation through new business models or processes.

The analysis of this thesis demonstrates that companies cannot just rely on their research and development departments, or its own capability to develop new ideas. Instead, the companies should be open as a way to enhance organisational competitiveness and innovation. In other words, a key conclusion is that SMEs need to exploit every capability possible to them and be open to learning from all their stakeholders in striving to build an innovative capability.

The author developed a number of insights into how the leadership and commitment of senior company leaders influenced how innovative companies were. Organisational culture was also seen to influence the competitiveness of companies and their level of innovation. It is also suggested by the author that building an effective relationship with other parties was a significant capability in innovative companies. It is by building open relationships that companies acquired complementary resources and so developed the capabilities necessary to improve their competitiveness. These themes are further summarised in the following sections.

## **Organisational Leadership**

The studied SMEs embrace different modes of leadership. However, all the companies believe that the commitment of senior leaders of the company was key to enhancing organisational innovativeness. It was the leaders within the studied SMEs, who drove others to contribute to organisational innovativeness and to make changes happen. In Chapter 5, the data analysis developed a number of insights into the leadership capabilities, which are necessary for organisations to compete and innovate.

The thesis demonstrates that the commitment of leaders is crucial in motivating others, in making innovation happen and in enhancing competitiveness. Nalore-Winter and Kleiner (1993) argue that the leaders of tomorrow must be able to manage the change of today. All the SMEs studied emphasised the role of leaders, their contribution and strong commitment in bringing new ideas to companies. The need to have open leadership, to both the workforce and the external environment, assists in bringing in new ideas and in the creation of potential new opportunities, was emphatically endorsed. In order to enhance organisational competitiveness and innovation, this thesis suggests that leaders should look for new opportunities, rather than being distracted with their role of management and potentially miss new opportunities. Kouzes and Posner (2002) confirm the significance of leaders and their capabilities in searching and discovering new opportunities to a company's competitiveness and innovativeness. However, this role should be the responsibility of everyone within the organisations.

This thesis also suggests that leadership capability within SMEs is about the interaction between the role of management and the role of leaders towards the enhancement of organisational competitiveness and innovation. This is confirmed by Whittington and Galpin (2010), who believe that leaders exhibit a full, supportive range of leadership behaviours. These behaviours can deliver performance beyond expectations. The conclusion from Chapter 5 suggested that leaders should concern themselves with the strategic direction and future proofing of their organisation. They should inspire, encourage and create the right culture to enhance organisational competitiveness and innovation.

Whittington and Galpin (2010, p20) argue that, "transformational leaders consider the needs of others over their own, share risk with their followers and demonstrate high standard of moral conduct. These leaders engender faith in others by empowering followers and creating a joint sense of mission". It is concluded from Chapter 5 that, empowering leadership and sharing ownership and responsibility with employees can enable employees to be committed to the development of the organisation.

In order to enhance competitiveness and innovation, organisations need to have the right organisational leadership capabilities which are commitment, inspiration, openness to new ideas, interactivity with management, strategic direction understanding, resources allocation, management and improvement to effectiveness, and efficiency to change. However, these capabilities are influenced by organisational structure and culture, and relationship and collaborations capabilities.

### **Organisational Structure and Culture**

The author suggests that companies may have varied structures in an innovative company. It is important to ensure openness, so that there are no structural barriers to innovation. In Chapter 6 the author concluded that the degree of stakeholders' contribution to organisational competitiveness and innovation might be influenced by the type of organisational structure. For example, hierarchal structures may result in barriers created within an organisation.

On the other hand, this thesis suggests that organisations need to create a right culture, which can be guided to gain the competitive advantage. Different culture descriptors, such as self-critical, democratic, free open and task oriented were all highlighted as important cultural values to enhance organisational competitiveness and innovativeness. This thesis concluded that the required flexibility in organisational structure and culture should be provided to improve the contribution of the stakeholders and create a culture of innovativeness.

It is concluded that organisational culture is a significant element in organisational competitiveness and innovation. This thesis demonstrates that companies should focus on creating a democratic free innovative culture, as an

approach to enhancing organisational competitiveness and innovativeness. Organisations must benefit from the advantages of a team working culture. The more information that is shared between members of teams in organisations, the easier it would be to manage them and in ideas generation. This thesis illustrates that informal, small meetings, face-to-face communication, information sharing and collective decision making are the key drivers in team management to share responsibility and to enhance organisational competitiveness and innovation. In the studied companies an open-mindset is varied and it might help companies to be open to new ideas. Consequently, it might influence the creation of culture of innovation.

### **Organisational Relationships and Collaborations**

This thesis emphasised the significance of relationships and collaborations in compensating for a company's lack of resources and in enhancing organisational competitiveness and innovation. Companies used their relationships with all their stakeholders (customers, employees, distributors, suppliers and other organisations), to look for new ideas and develop external sources. SMEs also used their relationships as a learning vehicle, which develops their managerial capabilities in many areas, including access to leading edge knowledge, understanding customers' requirements and using them to help build their own profiles.

This thesis suggests most of the studied companies use a customer-oriented strategy. Hence, customers were often the sources of new ideas and of product development. Nalore-Winter and Kleiner (1993) argue that innovative companies should make several customer visits every year. It is concluded in this thesis that innovative companies should develop a long term relationship, build up trust with customers and respond to their requirement as quickly as possible. Companies with longer supply chain relationships with the end-users might be clouded, so they can set up appropriate relationships with their customers, suppliers, distributors and agents. A key conclusion of this thesis is that companies should be proactive in forming relationships with customers. Meanwhile partners in their supply chain can also understand what are the market needs.

This thesis confirms Godson's (2009) argument, in which internal relationships, especially relationships with employees, are equally important as the external relationships in enhancing organisation competitiveness. The involvement of all the stakeholders and their significant contribution is highlighted in this thesis. "Participation is important in the creation of a co-operative workplace, and relates to the capacity of employees to influence joint decision making between themselves and supervisors, especially when it affects their work" (Brewer, 1996 p25). It suggests that employees are an effective source of new ideas since they are the frontline of organisations. Because they are on the shop floors, they have significant knowledge about the process of manufacture. As a result, their positive feeling is crucial towards to the contribution of organisational competitiveness and innovation.

This thesis highlights the importance of training, information sharing and empowerment to support employees. Because they can provide SMEs with their local knowledge, regularly contact with distributors and agents, exchange information and support them with tools hence getting feedback is important.

Consideration is given to the ongoing change of the environment, because the author believes that organisational competitiveness and innovation can be maintained only through a collective effort of all the key stakeholders. Due to smaller companies' lack of resources to gain all the knowledge, relationships with customers, employees, distributors, suppliers and other organisations are crucial to enhance organisational innovation. This thesis illustrates that relationships and collaborations is not about managing these relations, but obtaining the knowledge and resources needed.

## 8.2. The Contribution to Knowledge of the Study

The contribution to knowledge of this thesis is based on the analysis of the data given by the participants around three themes. Namely: organisational leadership, organisational structure and culture, and organisational relationships and collaborations. Insights into leadership capabilities have been developed and shown to be considered as one partial explanation of the studied phenomena. Insights into organisational structure and culture were also developed as another partial explanation of the influences on a company's competitiveness and innovation. The author highlighted a range of drivers of culture in SMEs. Insights into how SMEs used relationships and collaborations to build an innovative and competitive capability was the third area explored. The following figure explains the generated theory which illustrates the contribution to knowledge of this thesis.

The author trusts that this study provides a new level of sophistication in the understanding of organisational competitiveness and innovation. Whilst the literature is good at identifying components of innovation management, this thesis has built a larger picture of SMEs' organisational competitiveness and innovation. The theory development and the contribution to knowledge have moved the literature further on. This new powerful model which is represented in Figure 8.1 is different from what is available in the current literature.

Figure 8.1 provides a new definition of organisational leadership, structure, culture and relationships and collaboration in terms of organisational competitiveness and innovation. In other words, leadership, structure, culture and relationships are not only understood in their conventional way. This comprehensive model is based on the literature and the data analysis, it explains the whole picture of SMEs' organisational competitiveness and innovation. It emphasises an open organisational mindset, proactive and supportive knowledge system resourcing and effective internal and external relationships.



Figure 8.1 explains the theory generated in this thesis. The main contribution to knowledge of the thesis, is that the analysis suggests that a strong competitive advantage towards organisational competitiveness and innovation is influenced by the generated theory which is pillared on three themes, namely: innovative leadership, innovative structure and culture, and innovative relationships and collaborations capabilities. In terms of competitiveness and innovation, all the presented themes work collectively to create a culture of innovation and present the whole picture of organisational innovation as a jigsaw.

The leaders' personal characteristics of intense commitment, openness to new ideas, ability to bring in new ideas and inspiration style play a significant role in the development of innovative leadership capability. This thesis demonstrates the significance of their attitude to management in building innovative leadership capability. In this context, they build an open culture of innovation, have the ability to break down barriers, effectively allocate resources and effectively reward and support people. Moreover, leaders' effective managerial skills, clearly defined strategic direction, proactively challenge and encourage people and construct a culture of empowerment which enhance their communications skills and as result contribute in building an innovative leadership culture in order to create a culture of innovation. However, organisational competitiveness and innovation is more than just strong leadership capability, it is about the interaction with the other themes to influence the creation of a culture of innovation.

The theory developed in this thesis highlights the important role of organisational structure and culture in building competitiveness and innovation capability. It suggests that organisational openness is one component of an innovative structure and cultural capability, which includes open mindedness, transparent culture, listening culture and cultural diversity in workforce. It reveals that the sense of ownership within an organisation, which includes informal and democratic structure and culture, ownership sharing (this might be participation in the decision making process), team culture building, collective responsibility and acceptance of different viewpoints, encourage the creation of innovative structure and culture capability. Further, the supportive "family" model of operation is considered as another significant component in building innovative structure and culture capability. This includes participation in decision



making, information sharing, empowerment, trust in relationships and support of creativity.

In terms of organisational relationships and collaborations, this thesis illustrates that open relationships, which includes openness in forming relationships, building mutual benefits relationships, regular contact, direct relationships and proactively building relationships influence the creation of innovative relationships and collaborations capability. On the other hand, organisational trust, which includes trust building, long term relationship building, supportive relationships building, information sharing and speedy response, influence effective relationships creation. This thesis concluded that innovative relationships and collaborations use relationships to compensate for the lack of new ideas, knowledge and resources, to gain access to leading edge knowledge, build their own company profile and enhance understanding of the markets. Consequently, this contributes to the creation of a culture of innovation.

Innovative leadership, innovative structure and culture and innovative relationship and collaborations capabilities are equally significant in the creation of a culture of innovation and in building competitiveness and innovation capability. In other words, they interact and overlap using an open mindset and mentality, proactively supporting knowledge systems and resourcing, and effectively exploit internal and external relationships in order to create a sustained competitiveness and innovation capability.

The author suggests that a structure that encourages a sense of ownership and supportive "family" model of operations creates stability in organisations and empowers employees, which encourages them to bring new ideas. However, the author suggests that leaders of a company are the main drivers in innovative organisations. Leaders must be open-minded to look for new ways to improve organisational competitiveness and innovation. They must break down the barriers between people and also make projects happen because people do not necessary like to change. In this context, they must make people want to change and promote the culture of innovation.

The second part of theory developed in this study is organisational structure and culture. The approach of the studied companies to develop a supporting

and motivating culture appears to be more flexible than large companies, for example, by using more flexible ownership models and supportive “family” model of operations within their organisations.

The initial emerging theme from the data analysis was ownership structure. This thesis has clearly illustrated the benefit of ownership model within the studied companies and its overall performance of employees. Despite that the studied companies are manufacturing SMEs and that they are located in the same geographical region, it was interesting to finding that they have different characteristics and they deal differently with the challenges of competitiveness and innovation. However, the ownership structure of the studied SMEs differs from family owned to employee owned and to privately owned. They benefit from being small and their “family” model of operations. It is concluded from Chapter 6, that having a supportive “family” model of operation within an organisation eases communication and as a result, influences an organisation's culture. The differentiation of ownership structure in the studied companies brings more insight to the studied phenomena. In this context, ownership does not mean only financial ownership. It is about information sharing, the freedom given, empowerment and the mutual trust in the working environment. As a result, it influences stakeholders' feelings towards their management and then their contribution.

It is concluded that ownership structure is one of the key influences on the culture of these organisations. The majority of the studied companies are mature enough, started by entrepreneurs but they still need to be innovative. Two companies (COMPANY F and COMPANY G) are not regarded in this group because they are owned by big companies. However, they are still autonomous so they need to develop their own innovation. This thesis highlights the importance of ownership in the studied companies but ownership is more than financial ownership, it is about the supportive “family” model of operations built around the shared values to create a supportive culture of innovation.

This thesis has clearly illustrated the benefit of the supportive “family” model of operation within companies. The author concluded that the more organisations share ownership the more engagement and interaction they get from their stakeholders. It is concluded from Chapter 6, that to enhance organisational

competitiveness and innovation, it is crucial for organisations to create a culture where everybody feels the ownership and contributes in bring new ideas in.

This thesis demonstrates that the key is to make sure that people within an organisation knows that they can influence things. In other words, it suggests that ideas cannot be generated by a very hierarchical or bureaucratic system, they need to put heads together and create an environment in which people can truly shine and as result create an innovative structure and culture towards a culture of innovation to improve organisational competitiveness.

The conclusion from the thesis shows that the studied SMEs are driven to different degrees by the need to compete and innovate, that innovation was not simply about new products. It is about the capability of organisational leadership, structure and culture, and relationships and collaboration to create a culture of innovation to enhance organisational competitiveness and innovation. The explanation of the whole picture is represented in figure 8.1. It focuses on the organisational capabilities that influence organisational competitiveness and innovation.

This thesis illustrates that companies need to proactively go out and seek knowledge and they need to encourage their key stakeholders to get to the heart of the issues and not take superficial feedback. They need to encourage all the stakeholders to be part of the company rather than just selling products.

As far as the non-linear model is concerned it seems that in seeking to improve competitiveness and encourage innovation, leaders in SMEs strongly influence the culture in the company particularly through their individual personalities (commitment, inspiration and passion). The culture of the company affects the nature of the relationships and collaborations (opened or closed) developed by the company. The success of the relationships and the access they provide to resources outside the company's control influence the leaders' approach, the strategic direction and how leadership works with management. This is best demonstrated by COMPANY A's and COMPANY B's approach to ownership and a "family" model of operations. The process goes on as an upward spiral to increased competitiveness and innovation. Further the thesis shows that COMPANY A and COMPANY B are well advanced on this spiral whereas the other companies, whilst still successful, have not progressed so far up the

spiral, however, all companies must strive to advance on the spiral. Taking a holistic approach suggests that many internal and external factors affect the company's approach to competitiveness and innovation and so companies seek the right approach to leadership and management to develop an appropriate culture, with relationships that are right for their particular situation.

### **8.3. Limitation and Recommendation for Further Research**

One of the main limitations of this model is that it does not take into consideration performance measurement. This research used a local sample from South Yorkshire, studying organisational competitiveness and innovation and because its value is subjective, and it is difficult to measure since what one person values others may not. The researcher is not claiming universal generalisability from the study as discussed in the research methodology chapter. The findings were based on a small number of case studies of small and medium sized UK manufacturing companies. However, the author does feel the theory is valid in other contexts and the learning from the thesis can be generalised and leveraged to other contexts and environments. It will be interesting in studying the issues addressed to see the findings of bigger samples and in a different country. Hyde (2000) argues in his journal of recognising deductive processes in qualitative research, that the results of qualitative enquiry most often remain untested. Qualitative research is usually based on an inductive approach to reasoning. He further argues that using formal deductive procedures in qualitative research can represent a significant step towards assuring confidence in qualitative research findings. Therefore, this study would recommend future researchers to include formal deductive procedures to support the qualitative research findings. In addition, it will be interesting to know that for small businesses that are part of large organisations, can they create a culture that encourages empowerment and share ownership but still works within a formal structure.

### **8.4. A Personal Reflection**

The personal interest of the author drove the execution of this study. After successfully finishing a Master degree in international marketing, the author started his first private project (working in a small shopping centre in his home town, Sirte City in Libya). As Libya was opening up to international companies

to invest in Libya, the author decided to develop his own understanding of international business management.

The research conducted is about organisational competitiveness and innovation. With the current economic situation, the speed of technology development and the power of competition, companies are struggling to stay in long term business. The understanding of this thesis is that companies do not succeed by chance, but they differentiate themselves from competitors by improving their product, service, process or all of them. But, "how" is the question which needs to be answered. How companies survive in such complex environment?

Organisational innovation and competitiveness is more than new product development. It is about developing the right organisational capabilities and enhancing competitiveness and innovation. In other words, it is about the leadership commitment and openness to new ideas and how they promote the culture of innovation within their organisations. It is also about organisational structure and culture by implementing a free open democratic culture. Last but not least, it is about how organisations manage their relationships towards to gaining knowledge and resources as a way of improving organisational competitiveness and innovation. Thus, the findings highlight the significance of organisational leadership, structure and culture, and relationships and collaboration as key factors to the enhancement of organisational competitiveness and innovativeness.

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## **Appendix (1): Letter requesting access**

To whom may be concerned

**Dear Sir/Madam**

My name is Jamal Abdelgadir. I am PhD student at Sheffield Hallam University. I also work as a researcher in the Centre for Individual and Organisational Development. The focus of my study is to explore insights into how organisational capabilities influence innovation and organisational competitiveness.

I am particularly interested in SMEs. I would like to conduct my study with some innovative companies (4-9) using semi-structured interviews with a number of managers in the selected companies in South Yorkshire and Derbyshire. Your help will be greatly appreciated and it is going to contribute to the success of the research. Furthermore, I will assure that final report will be sent to those companies with some recommendations. The objectives of the study are as follows:

- ◎ To identify and develop an understanding of the organisational capabilities needed by companies to effectively compete in international markets.
- ◎ To develop a mechanism for assessing companies strengths in the organisational capabilities necessary for innovation and competitiveness.
- ◎ To develop insights into the learning and managerial capabilities necessary to create a culture of innovation and competitiveness in organisations.

Each interview should last between 45-60 minutes. I will be very grateful if you help me identifying some companies in the area to do my interviews with.

Yours Faithfully.

**Jamal Adelgadir**

**Sheffield Business School, Sheffield Hallam University**

Tel: 01142255257, Mobil: 07446704166, [saga76@hotmail.co.uk](mailto:saga76@hotmail.co.uk)

## **Appendix (2): E-mail to be sent to potential interviewees**

(Person) Thank you for considering whether to help me with the research project that I am undertaking. Below are a few details about the research that I am doing.

### **Why am I doing research?**

I am a PhD student at Sheffield Hallam University, and I also work as a researcher in the Centre for Individual and Organisational Development. The research that I am doing is not for business purposes, although participants will be informed of its results and conclusions.

### **What am I researching?**

The title of my research is:

"Insights into organisational capabilities that influence innovation and organisational competitiveness"

I am particularly interested in SMEs. My initial literature review has found that there is no clear answer into how to manage innovation and being competitive. The majority of the previous researchers tried to link two variables and very little studies see the phenomena systematically. In other words, the innovation and organisational competitiveness of any organisation is affected by number of variables such as leadership and top management' behaviour, organisational culture, collaboration & networking, and innovation management.

### **What do I wish to do?**

I wish to conduct a confidential 45-60 minutes interview, preferably with number (3-5) senior managers who have good experience with your company. I am doing a number of cases (4-6) manufacturing companies in South Yorkshire and Derbyshire. The selected companies understand the importance of innovation and do value innovation and considered it in their strategic planning.

The interview will discuss with you the recent innovation of product/services or new business model that you are using. Furthermore I would like to know in

details your approach of meetings, gathering information, and managing innovation. I will not be asking for specific financial data, or attempting to measure 'Profitability'.

**When am I doing it?**

I have to start my interviews in the middle of July, and I will be conducting my interviews between the middle of July and the last week of October. I would be grateful if someone can spare the 60 minutes to participate in this research. I will be contacting you in the next month to discuss this further and to arrange a convenient time to meet with you.

My phone number is: 01142255257(University) mobile: 07446704166

If you prefer, you can contact me by e-mail on: [saga76@hotmail.co.uk](mailto:saga76@hotmail.co.uk)

Regards

Jamal Abdelgadir

### **Appendix (3): Interview Questions**

1. Can you give me a summary introduction about your company?
2. What about your position? Can you give me an introduction about your position?
3. What about the organisation structure?
4. What business are you in?
5. What business do you want to be in the future I mean what's your vision?
6. What is your competitive advantage?
7. What is the challenge facing the company?
8. How does your company view innovation? Is it process, people, or mechanistic thing?
9. What is the role of the leadership in making the company innovative and competitive?
10. Do you have any plan in your company for the employees to meet to discuss innovation and new ideas? Can you give me some examples?
11. So in your meetings do you push the employees to talk? Can you give me some examples?
12. How often they can meet and how they can be managed to contribute in the decision making process?
13. What kind of culture should companies adapt to be innovative?
14. What kind of culture do you have in this company?
15. Do you listen to your employees can you give me some examples?
16. Do you listen to your partners and how do you listen to them?
17. How many sales forces do you have?
18. How do you maintain and promote your relationship with the customer?
19. What exchange are you getting from the suppliers or the customers or the distributors?
20. In terms of the organisation learning, how can companies learn from their experience? How can they manage their learning experience?
21. Do you not think that will encourage the blame culture?
22. Do you have an organisation memory or system to record everything to go back to it and benefit from it?
23. What are the key learning processes?
24. Do you have regular meetings to discuss and learn?



25. What are your communication tools in developing the system in your company?
26. What kind of communication tools do you have?
27. How do you communicate to the outsiders and new partners and customers?
28. You don't think that you are missing the face to face interaction by going out?
29. What are the best communication tools in the learning process?
30. Where do you generate your information for innovation?
31. You haven't mentioned the R&D department or you don't have one?
32. Can you explain to me for example if you generate some idea from the customer? How will you filter it and you know transfer it?
33. Where do you consider yourself innovative? Is...is it your product surface or business model in what area?
34. What about the other departments are they innovative o?
35. How do you benefit and generate ideas from your partnership?
36. To what extent do you think that R&D inside the company can work alone without any you know input from outside?
37. Do you dedicate some people and time to discuss and think about innovation?
38. Have you had any idea or any new innovation comes from the bottom employees up?
39. How do you see the advantages of open innovation policy by working with universities, research organisations?
40. Do you look for any government's support?
41. How can innovation be managed?
42. What are the key drivers to be innovative?
43. What can organisations do to create clear mechanism for innovation?
44. So how do you make it work for your company? In terms of are you setting a goal some goals to achieve or in terms of the investment of the new ideas?
45. Can you tell me in general what do you think about it?







