

## MANAGEMENT PRACTICES IN NEW CREATIVE INDUSTRIES

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### **Abstract**

This paper aims to outline the results of a study in small and medium enterprise from creative IT industry. The study aims to examine how decision-making and management practices it changes in the context of organizational change generated by innovation. The results lead to the conclusion that managing the process of change through innovation among employees leads to resistance and high pressure on decision-making and management practices which have an important role in the successful implementation of these changes and generation of results.

**Keywords:** Management; creative industries; innovation; human resource

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### **Introduction**

IT creative industry is one of the youngest and fast growing new media sectors (Cadin and Guerin, 2006). However, the presence of creative industry IT on decision makers' agenda remains scarce, in Romania or elsewhere (Chatfield, 2010). In Romania this industry is populated with a large number of small and medium enterprises and only a few big players (Ceptureanu E.G. et al., 2015a). Support for the sector by governmental policies led to the emergence of new actors on the market, but survival rates of business remains low (Ceptureanu E.G. et al, 2015b). Surviving firms remain vulnerable to hostile takeovers by major players in the market, a trend that also characterizes the high-tech SMEs in general. We tend to agree with Ceptureanu E.G. et al (2017) who consider that volatility of the industry's small businesses, and their reluctance to scale up, remain critical issues for policy makers, in particular in Romania where the availability of high value employment is linked to educational shortages.

During the time, the literature has shifted from efficiency to innovation in order to generate profit and business success (Bilton and Cummings, 2010). Changes in markets and competition between multinational corporations have increased the pressure on SMEs to focus on innovation, innovation capabilities and management (McAdam et al., 2004; Ceptureanu S.I. et al, 2016). Technological and scientific developments and shortening product lifecycles have generated a particular innovation imperative for SMEs (O'Regan et

al., 2005). Recent studies suggest that the SME sector in lack innovation management (O'Regan et al., 2005) or finds innovation management a challenge (Bessant et al., 2005).

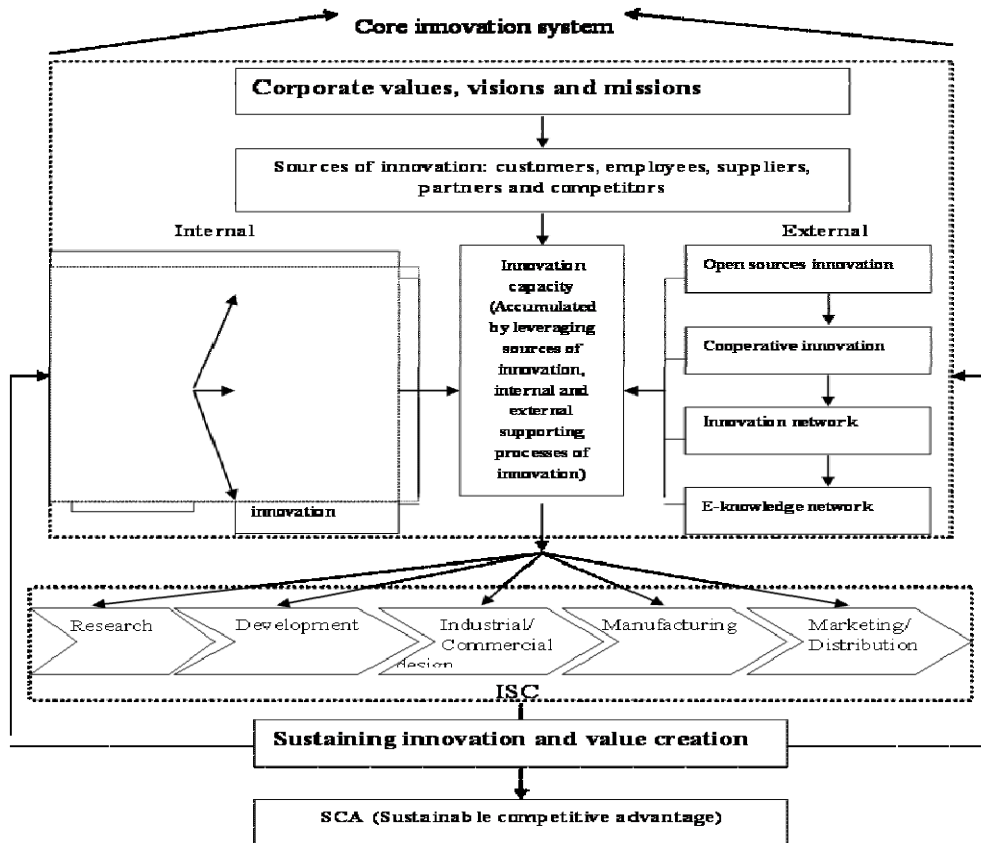
### **Impact of innovation on SMEs**

The literature regarding SME innovation shows a range of specific biases (Edwards et al., 2005), for instance emphasis on determinants of innovation efforts and results (Bessant et al., 2005) and a disposition to provide generalised management guidance (Radu AnaMaria-Catalina et al, 2017). Thus, factors facilitating or impeding innovation have been related to external and internal, structural and resource factors and their possible correlations.

Industry structure and lifecycle stages also impact on innovation and business growth (O'Gorman, 2001). Internal variables include resources such as management capability, expert skills, time, internal funds and knowledge systems (Delahaye, 2005) or organisational variables including structures, cultures and leadership (O'Regan et al., 2005). At the micro level of analysis, owner's orientation towards innovation is identified as determinants (Macpherson et al., 2004). High technology entrepreneurs' reluctance to engage in development has given rise to a dilemma (Chaston, 2008), resulting in inadequate exploitation of innovation and growth opportunities. This has been of concern for some time, but for creative industries businesses there is an added dilemma (Rae, 2002).

Innovation management literature, mostly adopting a functional perspective has remained largely prescriptive and based on first linear conceptualisations of innovation as staged, predictable sets of activities. These can be planned, managed and monitored from idea inception to commercialisation, if supported by effective knowledge and IT systems, and project based management systems. In this respect, Te Fu Chen (2007) develops a model of innovation for high-tech SMEs (especially for creative industries) – figure no. 1.

An important issue regarding innovation is represented by barriers to innovation. Where these are explicitly highlighted as a management task, they tend to be conceptualised as challenges arising at the start of the innovation process and to that extent as challenges that can be eliminated through management intervention. Where barriers are conceptualised in terms of dualisms such as those between artistic, creative or expressive interests of innovators and corporate or commercial interests of entrepreneurs, a negotiation-based brokering approach to management is recommended (Bilton et al, 2010). How precisely these generic approaches are to be realistically transferred to the SME context or to what extent they are applicable or need to be modified remains to be examined (Edwards et al., 2005) as does the question whether SMEs in different industry sectors require different cluster of innovation management routines (Tidd, 2001). Paradoxically, despite the recognition that SMEs seem particularly well suited to generating breakthrough innovation (Delahaye, 2005), and despite consistent efforts of policy makers to support innovation in SMEs, knowledge about how SMEs innovate has remained unclear (O'Regan et al., 2005).



**Figure no 1: An Integrated Model Of Knowledge-Based Innovation For High-Tech SMEs**

*Source: Te Fu Chen (2007)*

### Methodology and findings

In order to form an overall picture on SMEs in Romania, knowing the nature of innovation activities carried out under these has a special significance. The research revealed that innovation efforts in SMEs focused mainly on new products (40.22%), new technologies (22.94%), managerial and marketing approaches (22.37%), upgrading computer system (4.97%), and human resources training (4.97%). Also point out that one in four companies is recorded absence innovative approaches (26.39%). It should also be noted that there is a positive trend over the previous year - decrease by 11.26 pp the share of SMEs indicating no concerns innovation (a reduction of approx. 43% compared to 2015). From a structural perspective, we find the following significant changes: (1) increasing the share options from new technologies (6.49 pp), new products (2.99 pp) and managerial and marketing approaches (2.86 pp) and (2) reduced propensity to invest in upgrading the computer system (-2.62 pp).

Analysing the innovation efforts of SMEs according to age them, we find out that:

- There is a positive correlation between age SMEs and frequency this indicates the informatics system modernization: a rate of 5.67% of firms over 15 years showed this option - 1.73 times high (2.82 pp) compared to the corresponding newly established organizations;
- Start-ups component involves higher rates of SMEs indicated concentration of innovation efforts training of human resources (5.24%) and lower percentages of mentioning the new technologies (19, 13%);
- 5-10 years companies are characterized by high frequencies in among companies to address managerial and new marketing (26.41%) and lowest for entities that have mentioned new products (37%);
- Enterprises 10-15 years recorded higher percentages entities showing new products (42.53%) and technology (31%);
- Businesses for over 15 years recorded lower percentages of organizations indicated managerial and marketing approaches we (16.61%) and training of human resources (4.42%);
- Companies that have shown the absence of innovative approaches are found more frequently among entities of 5-10 years (28.14%) and less frequently among those aged 10-15 years (22.51%).

Considering the territorial affiliation small and medium note the following main elements:

- Companies focused on new technologies are found frequently among entities in South West (35.97%) and less frequently among the Northwest (8.84%);
- SMEs indicated focusing efforts on innovation achieving new products have higher rates for organizations in the South (53.82%) and lowest among those in the North West (16.02%);
- Organizations that have scored new records management and marketing approaches higher percentages among SMEs located in the North West (44.20%) and lower for those in the Southeast (7.22%);
- Businesses that highlight the innovative potential of the computer system modernization recorded higher frequencies of entities in North East (9.62%) and much lower in terms of firms in the Central region (1.90%);
- SMEs mentioned human resources training have higher rates for organizations in the North West (8.84%) and lowest among those in the Center Region (2.53%);
- Companies that have shown the absence of innovative approaches are found more frequently among entities in South West (31.35%) and less frequently among the Southeast (21.65%).

Given the impact of size on the efforts of innovative firms was observed following significant ways:

- There is a positive correlation between the size of SMEs and the frequency with which they show new products, new technologies, modernization and training of human resources information system;
- There is a negative relationship between the size of companies and their propensity to direct its efforts towards new approaches to innovation management and marketing, registering a 13.04% frequency for medium organizations - 1.60 times lower (-7.81 pp) to their relative small entities and 1.78 times lower (-10.17 pp) compared to the micro enterprises;
- The percentage of firms that indicated the absence of innovative approaches is

negatively correlated with the size of SMEs: 28.77% of micro not undertakes innovative actions - a rate of 1.49 times higher (9.46 pp) compared to their relative small entities and 2.84 times high (18.63 pp) compared to the medium organizations.

Analysis of SMEs in Romania by legal form shows following essential elements of the nature and specific innovation activities undertaken by them:

- Joint stock companies recorded higher rates of SMEs indicating new technologies (46.88%), modernization information (18.75%) and training of human resources (9.38%) and lower shares of the mentioning new products (34.38%) and management and new marketing approaches (15.63%);
- LLCs are characterized by high frequencies among organizations and focus efforts on new approaches to innovation management and marketing (22.91%);
- Other enterprises with legal form recorded higher percentages of entities mentioned new products (43.62%) and lower frequencies of companies that scored new technologies (14.09%), upgrading the computer system (3.36%) and human resources training (2.68%);
- Companies that have shown the absence of innovative approaches are found more frequently among entities with different legal form (34.90%) and less frequently among joint stock companies (12.50%).

Examination of the innovation activities of SMEs by industry reveals the following key issues:

- SMEs indicated that focusing efforts on achieving innovation of new products have higher rates for commercial organizations (48.42%) and lowest among those in tourism (23.26%);
- Organizations who scored new records management and marketing approaches higher percentages among SMEs transport activity (47.22%) and lower for those in Manufacturing (17.14%);
- Companies which focus on new technologies mentioned are found more frequently among entities in construction (28.36%) and less frequently among transport (13.89%);
- Organizations modernization highlights the innovative potential of the computer system records the higher frequencies of entities in the industry (7.62%) and much lower in terms of companies working in tourism (2.33%);
- SMEs that have mentioned human resources training higher rates for organizations of transport (8.33%) and lower among those in the trade (2.97%);
- Companies which indicated the absence of innovative approaches are found more frequent among tourism entities (46.51%) and less frequently among the transport (22.22%).

Analysing innovation efforts envisaged by SMEs according to the performances obtained by them in 2016 compared to 2015, highlights the following:

- Organizations who achieved much better performance is characterized by higher rates of SMEs indicating new products (58.82%) and technology (58.82%) and lower percentages of those who mentioned approaches management and marketing we (11.76%) and modernization science (2.94%);
- Companies with better outcomes evidenced by increased frequencies among businesses aimed at training human resources (11.48%);
- Enterprises whose results have stagnated recorded higher percentage of firms mentioning the new management approach and marketing (24.63%);

- Companies who recorded weaker economic performance recorded weights organizations that scored low technology (15.34%) and training of human resources (2.19%);
- Organizations who achieved much poorer results imply percent entities increased focus on modernization information (11.25%) and lower frequencies of companies that scored directing efforts in the area of new product innovation (25%);
- There is a negative correlation between SME performance and frequency that they indicate the absence of innovative approaches recorded is a frequency of 5.88% for companies with more results good - 4.65 times lower (-21.44 pp) than those who stagnated and 7.02 times lower (-35.37 pp) compared to firms performing much weaker.

The distribution of our research results in terms of the intensity of investment in product innovation, process and organizational includes the following elements: 39.26% of SMEs have not allocated resources for innovation, while 60.74% of companies dedicated to innovation at least 1% of total investment, 36.01% - more than 6%, 13.38% - 11%, 6.76% - more than 21%, 2.74% - over 51% and 0.57% of organizations have allocated more than 76% of the total innovation investments (Figure 11.3). If we refer to point at each interval corresponding frequencies recorded on investments innovation, distinguish an inverse relationship between the intensity of the investment and the share of SMEs that fall in that range. Thus, 24.73% of business innovation allocate 1-5% of the total investment, 22.63% - between 6% and 10%, 6.63% - between 11% and 20%, 4.02% - from 21 % and 50%, 2.17% - from 51% to 75% and 0.57% of companies dedicated to innovation than 76% (Figure 11.2). It should also be noted that a slight positive trend over the previous year - decrease by 5.67 pp the share of SMEs that have not allocated resources for innovation. This evolution is doubled by a qualitative transformation that is very explicitly highlighted that the number of SMEs Innovation direct over 76% of the total investment increased 2.66 times those allocated 51-75% - of 1.83 times and 6.10% - 1.35 times (5.85 pp).

Grouping firms by area of activity, highlights the following key elements for the share of resources allocated to innovation in total investments:

- SMEs that have indicated that they have not allocated resources for innovation have higher rates for transport organizations (55.81%) and lowest among those in tourism (33.33%);
- Companies who said they allocate 1-5% of the total investment is more frequently found among commercial entities (27.09%) and less frequently among construction (19.40%);
- Organizations who scored a record level of 6-10% higher percentages among SMEs in tourism activity (41.67%) and lower for the transport (11.63%);
- Companies highlights 11-20% higher frequencies recorded for entities in the industry (9.52%), while no entrepreneurial tourism and transport did not indicate this option;
- SMEs that were targeted for innovation 21-50% own shares higher for trade companies (5.01%), and no manager Tourism has not opted for this option;
- Companies who said they allocate between 51% and 75% are in May frequently among entities of transport (6.98%) and less frequently among the construction (1.49%);
- Organizations who have invested over 76% of the total recorded higher percentages among SMEs working in the construction (2.99%), while no enterprising in industry, transport and tourism did not indicate this option.

### Conclusions

This paper aims to contribute to our understanding of management practices in SMES from creative industries (Yin, 2009). We find out that in terms of innovation efforts of SMEs-age, there is a positive correlation between age SMEs and frequency this indicates the informatics system modernization; start-ups component involves higher rates of SMEs indicated concentration of innovation efforts training of human resources and lower percentages of mentioning the new technologies. In terms of impact of size on the efforts of innovative firm, there is a positive correlation between the size of SMEs and the frequency with which they show new products, new technologies, modernization and training of human resources information system and a negative relationship between the size of companies and their propensity to direct its efforts towards new approaches to innovation management and marketing. Regarding legal form of organization, joint stock companies recorded higher rates of SMEs indicating new technologies, modernization information and training of human resources.

Regarding innovation activities of SMEs by industry, SMEs indicated that focusing efforts on achieving innovation of new products have higher rates for commercial organizations and transport and lowest among those in tourism and manufacturing;

The results suggest that management practices designed to support the development of SMES by innovation are closely related to organizational capabilities. Our paper presents some limitations in order to fulfil academics expectations regarding innovation and innovative SMEs (Patton and Appelbaum, 2003). For instance, we need to expand our sample and to extend the insights into practices of innovation management in the creative industry.

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