



## DEVELOPING AN INNOVATIVE CULTURE IN ARGENTINEAN SME

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### ABSTRACT

Innovation has become a game changer in the competitive and social arenas, capable of boosting and maintaining the highest competitive levels. In this sense, the innovative business culture -a particular intangible asset- is shown as a sufficient condition to develop difficult-to-imitate and sustainable competitive advantages, and a key challenge that companies' executives have today. In addition, SME are scattered all over the planet and represent a fundamental driver for economic growth and social development, especially in Argentina. The hypothesis of this work -which was corroborated- is that if an adequate innovative business culture is developed, it is feasible to promote an innovative performance improvement. As a result, one of the main findings of this study -a follow on of some previous ones- is that an innovative culture provides identity, generates commitment and facilitates control, stimulating innovative performance and proposing competitive advantages. Specifically, the studied Argentinean SME environment has shown some difficulty in order to exploit novel ideas and promote this kind of culture. It has been verified that the managerial role could be improved as it was limited due to different inhibitors that are pointed out in this work, and that novel avenues should be found to benefit more people of our society.



The study is exploratory-descriptive, with a qualitative methodology. It is supported with a bibliographical and an empirical analysis.

**Keywords:** Culture; Innovation; Creativity; Competitive advantage; Competitiveness.

## 1. INTRODUCTION

Drucker (2017) states that disruption and discontinuity are present in our altered society and different changing forces are impacting on the business landscape, such as the explosion of new technologies, a change from an international to a world economy, new pluralistic institutions, and a novel knowledge universe. All these factors are shaping an unknown future.

In this environment, innovation has become a fundamental element in order to achieve difficult-to-imitate and sustainable competitive advantages, for which it appears as one of the key objectives of business executives.

As this work is a follow on of previous studies related specifically to Argentinean/Latin American SME<sup>1</sup>, the understanding of the creative and innovation process has been deepened, highlighting its potential as a differentiator in highly competitive markets as the current ones.

It is suggested that the corporate culture -understood as values, beliefs, symbols, rituals, myths and practices that are shaped in time, and are given in a conscious and unconscious way- represents a fundamental innovation determinant as it gives meaning and coherence, guides behaviors, provides identity, generates commitment and facilitates control.

That is why organizations must develop an innovative DNA so that everyone can contribute with their knowledge, increasing motivation and individual commitment. In other words, it is important to face innovation naturally and as something congenital, designing a culture model that promotes individual, group and organizational creativity in a permanent way.

In addition, it is indicated that it is not enough to focus on resources, processes and measurement of success, neglecting other stronger determinants of innovative capacity such as cultural values, behaviors and work climate. These factors are more intangible and difficult to

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<sup>1</sup> For further information see Acebo, M. N. & Viltard, L. A. (2018) Corporate culture: a key to stimulate innovation, *Independent Journal of Management & Production (IJM&P)*, Jul-Sept., 2018, v.9, n.3, and Acebo, M. N., París, J. M., Zapata Gómez, L. F. y Viltard, L. A. (2018) *Imperativo Innovación, ¿Cómo pueden las empresas dar el próximo salto innovativo?, El caso Latam y –en especial- Argentina*, B. S. Lab., Avellino, Italia.

manage, although they have the greatest power to shape the innovation culture and create a sustained competitive advantage. In this way, tangible resources represent a necessary condition, although not enough for innovation development, so that corporate culture -a particular intangible asset- has become a preponderant factor in order to generate innovative potential and difficult-to-imitate competitive advantages.

Moreover, the studies deepen in the fundamental aspects that characterize an innovative business culture, such as:

- The work environment.
- The communication and information flow.
- The challenges to be overcome.
- The freedom to take initiatives and perform in areas of interest, interacting with others and making the most of the available talents.
- The recognition and appreciation for the effort, stimulating the challenges and risks.
- The attitude to listen, encourage and support people to solve specific problems, giving them confidence and tolerating uncertainty.
- Grant budget and time flexibility for new ventures.
- Participate in a relaxed atmosphere that increases people's work satisfaction levels, facilitating creativity.

Therefore, the innovation culture is connected with a way of thinking and doing based on values, convictions and attitudes in order to promote ideas that improve business performance and efficiency.

In this sense, those works conclude that the characteristic aspects of innovative cultures are related to adhocracy, external focus, flexibility, delegation of authority and decision making participation to promote learning and development, since the hierarchical structure, the internal gaze, stability, formalization and centralization hinder it.

In connection with the above, this work finds its fundamental motivation in the opportunities that can be found from the appropriate corporate innovation development and its impact on the generation of sustainable competitive advantages.

The hypothesis of this study suggests that -if an adequate innovative business culture is developed- it is feasible to promote an innovative performance improvement.

Therefore, the objective of this paper is to delve into the factors that participate in an innovative business culture development in order to propose innovative performance improvements in Argentinean SME.

The following questions have permitted guiding the present work:

- What are the factors that favor an innovative business culture development?
- Do Argentinean SME have elements that allow them to help/impede their innovative performance?

It is important to make some clarifications/limitations in order to give a better understanding of this study:

- The theoretical framework that was utilized is the one that was judged necessary to support the present study, although it could be found other authors and publications that may complement it. Classical authors were consulted as they show an updated perspective on the studied matters, and prior works of this paper's authors were included as this study represents a follow on of what was analyzed before.
- The field work is based on the objective and hypothesis. The techniques that are used are the ones that were judged as adequate for this investigation, although other ones could be perform.
- The conclusions are connected with the theoretical framework and field work performed.

The prior clarifications/limitations were not an impediment to reach appropriate conclusions and comply with the hypothesis and objective of this work.

The study is exploratory-descriptive, with qualitative methodology. In addition, it is holistic because it contemplates a wide configuration in which the studied object is located.

It was performed a bibliographical and an empirical study. The bibliographical research implied data collection and the analysis of the information obtained through relevant secondary sources, mainly international authors and publications. The field work was composed by interviews to three different specialists and an Argentinean SME case analysis. This analysis

tried to deepen in the cultural characteristics knowledge that favor the corporate innovative performance.

This research was performed from Aug., 2018 to May 2019, and was carried out in Buenos Aires, Argentina.

As a result of this study, it is highlighted that the hypothesis of this work was corroborated and the objective verified.

## **2. INNOVATIVE BUSINESS CULTURE DEVELOPMENT**

As organizational sustainability requires an innovative business culture development, in this section it will be studied the importance of the managerial role in this type of cultures, the winning practices in highly innovative companies and –finally- the 3M case, a global firm that can show a stream of new products creation over time.

### **2.1. The management role and the innovative culture**

Both concepts are closely related since executives have a preponderant role when generating an innovative culture and good practices that are applied in highly innovative environments. Thus, the generation of trusting climates among employees, motivation and incentives to exploit new ideas -taking errors as an opportunity to learn- are of great value in order to develop this type of culture.

Alvesson (2013) suggests that the organizational culture becomes a central issue in the organizational life, even in those firms where cultural aspects are not explicit. As a result, there shouldn't be a distance between the individual and the organization for which he/she works.

In addition, Alvesson and Sveningsson (2008) show that:

- There is no complete agreement on whether organizational culture can be modified in an intentional manner and in short periods of time as -in general- they are resistant to change and does not emerge from the group.
- Culture can change by itself and, also, as a result of deliberate actions, changing an entire society or in lower levels (for instance, in an organization).
- The cultural change process requires new goals and should promote a new set of beliefs, values and ideals within the organization. Also, it is necessary a new management philosophy, through a leader that transmits cultural values from his/her daily performance.

Moreover, there are certain processes through which culture is conserved and transmitted. Robbins and Judge (2015) say that selection of personnel, performance evaluations, rewards, and training and development, among others, preserve the culture and confer similar experiences to the members of an organization. In addition, senior managers have a decisive influence on the organizational culture because -with their words and actions- they set up rules regarding risks, confer degrees of freedom to subordinates, and influence clothing and actions to be rewarded, among other issues that -after- are transmitted throughout the company.

Hence, Domingo (2013) argues that, to promote innovation, executives play a fundamental role since they have the duty to encourage innovative initiatives development and manage them within the objectives, with metrics and people who have a different profile to those who manage mature businesses. In this way, they create a culture for innovation that develops successful projects.

Additionally, it must be remarked that tangible elements do not necessarily confer value to the companies. Naranjo Valencia et al. (2012) suggest that many firms -despite not having a large number of tangibles- are considered valuable thanks to the level of available talent, creativity and reputation. So, their main assets are the people's imagination and ideas, with leaders capable of transforming the company's creative capabilities into high-impact competitive advantages.

On the other hand, Vilá (2010) suggests that:

- It is not easy to directly influence the employees' values and beliefs to modify the culture, although emphasizes that -through the way in which managers exercise their responsibility and develop their formal and informal relationships- they demonstrate what they value and expect from their collaborators.
- The values and beliefs that build culture result from management accumulation of experiences. In this sense, Christensen and Shu (2006) indicate that culture includes shared criteria and procedures, taken as basic assumptions in order to make decisions. In this sense, innovation refers to a managerial challenge and the implementation of management systems that involve all organizational levels in a progressive way, modifying people's minds.

Finally, Alvesson (2013) indicates that the organizational culture is closely related to the leadership capacity of those who run the company, being responsible for defining and implementing it.

In this section, it has been raised the existing symbiosis between innovation and the managerial role, and the difficulty when a change in the organizational culture is observed, especially if it does not emerge from the group. Thus and as it is not easy to change, culture behaves as a factor that ensures continuity and certainty in daily operations.

In addition, it was emphasized that minor changes or others that are much more significant and on a social scale can be achieved. Thus, a cultural change implies the establishment of new beliefs and ideals, based on certain values and philosophy transmitted in the daily work through management practices.

To make cultural transmission, some processes have been suggested as necessary, such as personnel selection, performance evaluation, rewards, training and development.

In this context, the leader -with his/her actions and sayings- establishes certain shared values, norms and procedures that -accumulated over time- are transmitted to the entire company. Thus and through initiatives, talent management, and specific management systems it is possible to influence innovation development, generating creative and innovative capacities that lead to superior competitive advantages. Therefore, it is concluded that the leader represents a fundamental factor to create, manage and even destroy organizational culture.

In the next Figure 1, it is shown a summary of what it was said in this section:

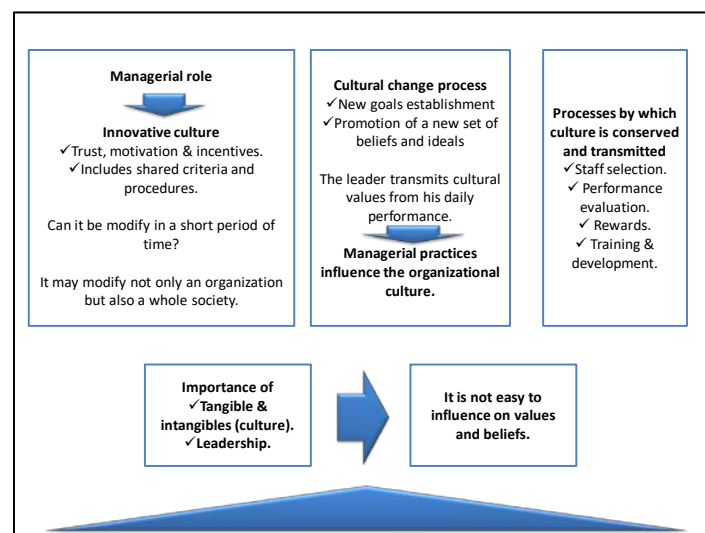


Figure 1: The managerial role and the innovative culture  
 Source: Own



## **2.2. Management practices in highly innovative companies**

Vilá (2011) highlights a series of good practices that are adopted by senior companies' managers with a great innovative capacity while exercising their leadership. He warns that its practical application in each particular organization is not direct and notes that the lessons learned shed light on how to make more coherent and predictable senior executives' actions in front of their collaborators, while intending to develop an innovative culture.

In this sense, the author highlights the following practices of this type of managers:

### **2.2.1. *They impel to pursue a challenge, an ideal or a dream that makes sense***

These leaders seek to generate an impact with very ambitious initiatives and clear guidance in order to overcome challenges that have a clear sense for employees. These challenges suppose tangible objectives that attract everybody's attention that -in many occasions- are a more effective innovation driver than extrinsic motivators, such as remuneration.

Mention is made of leaders such as Steve Jobs, co-founder of Apple with Stephen Wozniak, who was always interested in doing things that would change and make progress in the world, or Akio Morita and Masaru Ibuka, founders of Sony, who -by 1952- were looking for a strong enough challenge for their product development engineers, which led to the subsequent launch of products such as the Trinitron TV and the Walkman. Also, it is highlighted the case of Ratan Tata, who had the dream of providing -to all the citizens of India- an affordable and safe means of family transport, which led him to propose -to Tata Motors' engineers- the a priori impossible challenge of developing a \$ 2,500 car, known as Tata Nano.

### **2.2.2. *They seek new ways of acting towards the ideal***

These executives show a clear will to explore new ways of acting, accepting unconventional thoughts and solutions, even if they are not facing pressing problems.

As an example, it is mentioned James Dyson -founder of Dyson Ltd., a British technology company- which has progressively moved away from the day-to-day business management, spending the last decade trying to create the perfect innovation environment. In this way, Dyson spends most of his time among the creative staff -not just the engineers- encouraging them to be creative and proposing everyone to take the hard way instead of the obvious.



Another case is Ikea, a Swedish company dedicated to furniture and objects for home decoration manufacture and sale. Its managers encourage employees to seek new and better ways of doing things in every work aspect, despite being the undisputed world leader in their field.

The author argues that in highly innovative organizations -regardless the industrial sector, size or if they are in the process of change or not- it is encourage:

- *Exploration*, accepting/tolerating certain degrees of uncertainty and well intentioned errors.
- *Openness to the outside*, accepting the ideas and initiatives that come from the outside, and not just the ones that appear from the interior. Companies such as Amazon, Nike and Federal Express develop strategic alliances, and companies -such as Procter & Gamble and Ideo- put great energy into programs such as "Connect & Develop" and "Deep Dive", respectively.
- *Active observation* to identify business opportunities. As an example, indicates that General Electric has implemented an opportunity evaluation process with the "Imagination Breakthrough" program, focused on high-growth business proposals development.
- *Flexible posture, open-mindedness and proactive search* with humility. Thus, at Starbucks, managers ask their collaborators to confront a client's complaint, recognizing the opportunity to strengthen relationship and not putting distance with them.
- *Feedback is seen as valuable*. For example, at Pixar Animation managers treat their employees as equals, receiving all kinds of comments about their work and encouraging the whole team to participate and give their opinion about others' work.

### **2.2.3. React positively to adversity and give impetus to the organization**

Innovating suggests an established order transformation, being necessary to confront with unforeseen events. Thus, the way in which managers react to adversities represents a sample for employees about their values and preferences and -as such- has a great influence on company innovative culture.

As a summary of what is stated in this aspect, it is suggested that these companies' executives have the following characteristics:



- *They are persistent and show their support for initiatives*, even in the face of disappointing first results. In this regard, the case of Akio Morita and Masaru Ibuka stands out -despite the warning of their accountants about what they considered an excessive allocation of resources to new developments, which even put at risk the economic Sony viability in its early years- they responded saying: "be a little more patient and we will make a fortune".
- *The expression "it is not possible" does not exist*, but –in front of the recurrence of failed results- such an expression is replaced by "we do not know how to do it".
- *Innovation requires persistence*. That is why Ikea's motto "Never Say Never" sums up his positive stubbornness, perseverance and determination to achieve goals without giving up. This position is not exempt from limits and principles that balance and make ideas viable.
- *They have great confidence* in themselves and in the entrepreneurial work of their employees.
- *They are willing to leave their comfort zone* to make innovation possible, even when the changes affect them on a personal level and their own quality of life. In this way, they are considered one more of the group and are subject to the same rules as the rest. For example, it is reported that when Sony decided to be present and know the particularities of the most advanced consumer electronics market, Akio Morita moved -together with his family- to live in New York, demonstrating his personal commitment to company objectives.
- *They have a plan and they are firm* in what they understand that their job is not a speed race, but a marathon: they play hard every day and have a sustained ability to change. In this regard, highlights the words of Jeffrey Immelt, CEO of GE who considered that one of the main things he learned from his predecessor, Jack Welch, was that his work was not just connected with speed, but with marathons' perseverance.

As a summary of this section, there were highlighted a series of good practices adopted by high innovative performance firm's executives, no matter the geographical region, the industry or the size of the company, such as:

- Impel to follow challenges, ideals or dreams that make sense and represent a great motivation for those who persecute them.

- Propose unconventional modes of action towards the posed dream or ideal, spending as much time as possible with creative people. In this way: a) look for new opportunities with open-mindedness and encourage everybody active observation; b) wait for change proposals in each one's work; c) accept risks, uncertainties and errors; d) look for ideas inside and outside the firm; and e) take positive or negative feedback as something valuable.
- React to adversity by showing their values and preferences' scale; leave their comfort zone; are positive and persistent; have determination and teamwork management; are confident in themselves and on others; have a plan, standing firm.
- Keep positive behavior in front of adversity and unforeseen events, giving impetus to the organization. They are based on principles, support, confidence in everybody's work, and have willingness to leave their comfort areas. Also, they have the conviction that everything is possible, and -in addition- that work must be hard and every day.

#### **2.2.4. An example of innovative culture: 3M**

The 3M website (3M, 2018) indicates that this global innovation company never stops inventing. Over the years, its objective has been to improve the daily lives of millions of people around the world, proposing -for example- that driving at night is easier, that buildings are safer and that electronic devices are lighter, consume less energy and have less environmental impact. It is even argued that 3M helped the man reach the moon for the first time.

According to I + C Consultores (2018), several very successful 3M products have emerged from special situations, although it has not been the result of chance, as follows:

- The post-it -block of papers with glue -used to make annotations- arose from the idea of an employee who had difficulty keeping the pointers he had in the chants of the church's choir. Upon discovering -in the company- a glue that had worked badly and was about to be discarded, he invented the post-it that -then- the secretaries would start using, until finally it was launched to the market.
- The masking tape, which had its origin in an employee's idea who -when going to the workshop in search of his vehicle- observed the difficulties that the operators were going through when trying to paint the cars in half. It was there that the idea of this product emerged, currently used by the entire paint industry.

- The emery cloth (or sandpaper) emerged some years before, when 3M exploited mineral deposits and a person tried to remove the metals' oxide with small stone stuck in a paper.
- It is said that -these and other inventions, although they seem to have arisen through chance- in reality they have a much deeper foundation: 3M allows staff to take their ideas to the company. That is why 3M executives encourage research to the point of considering it a key factor for business development.

Moreover, Gunther (2010) also highlights 3M as one of the best examples of companies that follows a process and has an innovative incentive in its culture. Among the practices carried out by 3M, the author remarks:

- *15% of the time*: Long before Google granted its engineers one day a week to develop their own ideas, 3M allowed its researchers to do the same with 15% of their time.
- *The annual "Genesis Grant"*: The company's scientists can benefit from a prize of 100,000 dollars to follow up on projects for which the conventional people of the firm would not bet anything.
- *Whoever has the idea can lead the project*: In 3M it is assumed that whoever has the idea is the one who will place the greatest emphasis on its defense, looking for every option to make it successful. In that sense, it is not about passing the idea to a research department and not being able to participate in its development, but the contrary. Even if the idea is not successful, it implies a greater people's commitment to continue deepening on it.
- *Throw branches and then prune*: To be open to ideas has been a 3M classic. Although many of them remain not implemented, it is possible that -as a result of that process- many more innovative ideas will also be successful. It is understood that innovation is a play of ideas' quantity.
- *The 25% billing rule*: In each 3M business unit, at least 25% of billing must come from products developed in the last 4 years. In this way, the company seeks to maintain a considerable innovation pace, although it is possible that -in some of its business units- the current innovation speed is even higher.

Finally, it is worth mentioning that, according to data published on its website (3M, 2018), 3M celebrates curiosity, passion and purpose based on sustainable policies. As a result and at the end of 2017, its revenues amounted 31.7 billion dollars worldwide, operating in more than 70 countries and having 91,000 employees.

As a conclusion of this section, it is pointed out that there are organizations -as 3M- that are highly focused on innovation. Its highest goal -almost a dream- promotes helping millions of people around the world to save energy and negatively impact on the environment as little as possible. The innovations derive from a systematic work<sup>2</sup> so that all members of the organization propose ideas and are implemented, such as the post-it, the masking tape and the emery cloth (or sandpaper).

Some of the outstanding practices towards innovation of this company are connected with granting individual time to develop their own ideas, producing as many ideas as possible; offer important prizes to encourage everyone to commit; give the project's leadership to those who have the idea; and -in order to maintain the innovative pace- impose the rule that a minimum of 25% of revenues should come from products that have been developed in the last four years.

Throughout this section, it has been intended to offer greater understanding on the innovative business culture development, which is based on an active managerial role, a special focus on the processes that transmit and preserve culture, and -also- on some successful practices that are utilized by innovative companies.

In the following Figure 2, there are exposed the fundamental concepts of this Section:

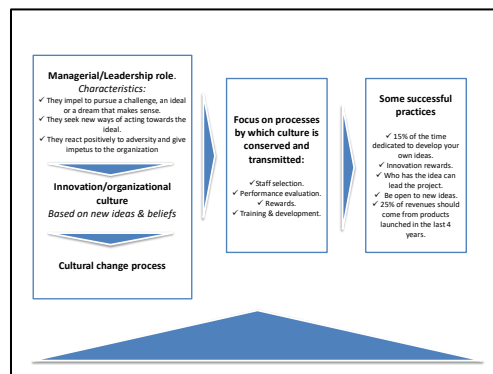


Figure 2: Innovative culture development  
 Source: Own

<sup>2</sup> For further information see Drucker, P. (2002) The discipline of innovation, **Harvard Business Review**, Boston: USA.

### 3. FIELD WORK

Based on the previous theoretical study, an empirical analysis has been carried out in order to obtain data that would allow knowing -in more detail- the innovation status in Argentinean SME and the innovative potential of their cultures.

There were done three interviews with key experts –which had sufficient knowledge about Argentinean SME‘culture and their approach to innovation- and a case analysis on the firm Amuyen Rectificaciones S.A.

#### 3.1 Interviews with key experts

In order to deepen the studied subject and in the period Dec., 2018-Feb., 2019, interviews were conducted with different specialists. In the following paragraphs, are shown the main elements that arouse from those meetings.

##### 3.1.1. *Interview with Osvaldo L. Dadone: A vision towards an innovative environment*

President in Campo Aval SGR, Board of Directors Member in Lartirigoyen y Cía. S.A., and President of Patagonia Pet S.A.

Thanks to his activity in different companies and institutions, the interviewee has been able to understand and interact with a large number of SME in Argentina, from which he raised the following concepts in the interview held in his office on 12/18/2018:

- Argentina had a lack of an adequate business microclimate which offered the necessary conditions for innovative SME development. That is why it was not observed a great ideas’ development that resulted in many more innovations.
- Argentinean SME are developed –mainly- alongside large companies. Thus, it seemed somewhat difficult that an entrepreneur could create an innovative product or service that would solve larger company’s needs. As a result, there was no large companies’ demand to stimulate an innovative solutions’ creation.
- There were certain innovative practices in large national and international companies’ branches, although these characteristics responded to a corporate culture that encompassed the entire company and did not come from initiatives borne in each particular geographical reality.
- Secondary and university education offered in many provinces did not show a thematic diversity that facilitated innovation, except for a few exceptions in certain faculties.

This situation could be a cause of the scarce innovative development seen in many of the Argentinean provinces.

- Many people found inconveniences while taking some risk and bet on a venture that proposed a novel idea. The great presence of the State as an employer has accustomed most of them to maintain a fixed and stable job, allowing a certain quality of life without a motivation to leave their attractive comfort zone in order to bet on a greater risk activity.
- Building innovative companies required a minimum structure, a certain organizational level, and a mental openness to be able to take advantage of the ideas and from external advice.

A large majority of the SME executives met by Osvaldo were not focus beyond of what was happening in their own business, and did not listen to their own employees' ideas. Therefore, they did not show support for internal initiatives and openness to the outside world.

- These firms had some favorable aspects, such as flexibility and informality in the workplace, but many did not have innovative cultures. It seemed very far the widespread adoption of –for example- “home office” labor practice as -in the provinces- there was no need to work from home to avoid displacement in large and busy cities.
- Error was not tolerated or accepted as an opportunity to learn, but instead it was decided to highlight and reproach it with the mistaken intention that it would not be repeated.
- The State should participate in the construction of a microclimate that generates opportunities for entrepreneurs. In this sense and in addition to the SME financial and management assistance, it was necessary to generate a larger economic agents' development that may demand the goods and services that the SME could offer.

### **3.1.2. Interview with Jorge O. Romo: a focus on the company**

He worked as an advisor of numerous SME and had +20 years as business consultant experience. Also, he had +35 years teaching in diverse universities. The interview was held in his office on 01/09/2019.

The main elements that the interviewee has suggested regarding Argentine SME are summarized below:





- It was not observed an innovative culture due to the lack of professionalization. At all levels, there was a shortage of qualified people with knowledge on most of business management aspects, including innovation.
- In most cases, the ownership of a company became from inheritance, the division of a family firm or by creating it from a series of technical and practical knowledge. In this way, owners arrived at SME management from a "know-how" focus and not from a "know how to manage" focus, so -in general- those who ran SME had a more technical than an administrative profile.
- Only approximately 10% of SME were driven by people between 40 and 50 years old, with some type of university education. The remaining 90% were older people clinging to obsolete management practices, without university training who managed firm's activities based on their intuition, and adapting to various environmental situations. So, they maintained a more reactive than proactive behavior.
- Before setting up their company, SME entrepreneurs did not made market studies that allowed focusing the business properly. In addition, they were adaptive, imitating what other companies did.
- There was a certain entrepreneurial attitude, although not a capacity for competitive innovations.
- Innovation generated fear and resistance, and there wasn't a culture that led to taking risks in the search of opportunities.
- Those firms did not have an adequate advice that would allow making a competitive leap based on innovation.
- As culture educators, leaders were predominantly authoritarian, far from democratic and participatory, a characteristic that -in many cases- was inherited from parents. This was evident while seeing the scarce delegation of tasks that existed due to the lack of confidence in the employees' ability to carry out their duties.
- Unions were responsible of a training lack, since there were labor agreements that did not allow people to be rewarded for the effort made, for learning or for being trained. It was only rewarded the quantity of years spent in the work, not the intelligence or ability. In some cases this situation operated as an obstacle to their changes' adaptation that occurred inside and outside the company.

- There was some fear on the future competition of the ones who worked in the company, since there were numerous cases of entrepreneurs that had trained people and when they felt prepared decided to open their own business.

Jorge understood that, in order to avoid this inconvenience, it was necessary to train people and allow them to express their points of view, but always maintaining -in the entrepreneur's hands- the planning and control of the company's activities. Key aspects as the business objective, the long-term plan, the banks' relationship, and the main suppliers and customers' management should not be delegated.

However, it was important to train people as true specialists in their tasks in such a way that they are able to organize and direct their work in the most efficient way and that they can contribute -from his specialty- with ideas and proposals that would allow being increasingly competitive.

- From the State, the necessary conditions had not been generated so that firm's executives would assume more risks. Additionally, there was a lack of State advice that would permit better learning on how to invest money, train people, innovate and compete, among other important issues.

### **3.1.3. Interview with Verónica Rebechi: a sight on people**

She had a degree in Human Resources and Public and Institutional Relations, and with an extensive experience in major companies' human resources management. Director of VR Humana Consultants, dedicated to provide personalized company services on talent selection and recruitment, training, organizational development, and institutional communication, had the opportunity to work for many SME.

The interview was conducted on 02/09/2019 in her offices, raising the following fundamental points regarding Argentinean SME:

- These firms remained behind in terms of creativity and innovation, as well as in most aspects related to business management and development, although -in companies closely linked to the production and marketing business of agricultural products- it was possible to observe certain development intention. It was different the case of some provinces' service companies which were relegated in this regard.

- The companies that settled in some provinces -coming from large cities such as Buenos Aires and Córdoba, or directly from other countries- had a much more modern conception on creativity and innovation internal development.
- The Argentine provinces were very dependent on State work, so that entrepreneurship and private activity, in general, were postponed. Thus, many people did not embark on independent projects due to the fear that is generated when leaving a permanent and secure job, in which no greater risks were assumed.
- There was a different vision between the elderly and younger people who were managing SME, since the latter used to have much more innovative business proposals, based on a greater degree of professional training and intentions to innovate.
- The younger managers tried to select people who, like them -in addition to certain specific knowledge required by the job to be done- should have a profile that showed a certain intention to generate and contribute with new ideas, demonstrating flexibility and rapid adaptation to changes. In general, they looked for young people with some professional training and who had an entrepreneurial attitude.
- Companies still managed by a previous generation, focused their searches on people who have many years of experience and who have remained -for a long time- in the same company.
- Many firms were not prone to training activities since they do not conceive them as an investment, but as an expense. The few training activities that were carried out were focused on specific technical skills training.
- Innovation and leadership were also impacted by the lack of training and development of senior and middle management. Although there were leaders who had an innate ability to lead, she indicated that -in most cases- there were great difficulties on people management. The employee who remained in charge of a group of people came to occupy that position because of the years spent in the company, his/her technical knowledge or by having some minimum training.

In few cases, the leaders were chosen because of their management ability. That is why there were generated enormous difficulties with -for example- the feedback to employees, the transmission of ideas, the resolution of conflicts, the orientation towards the objectives, the evaluation of performance and rewards.

Unfortunately, the attention of senior managers was only captured in front of major problems.

- Mistakes were not taken as learning opportunities or included in discovery processes that would allow new knowledge development. In addition, errors were not analyzed because the intention was not to damage the employees' personal relationship.
- In a large majority of SME, there was still some rigidity in terms of hours and work schedules, so it was very difficult to think about the implementation of work practices such as "teleworking" and "home office". In any case, the same happened in almost all companies in the country, with a few exceptions of large cities such as Buenos Aires and Córdoba.
- Although all what was said, there were mentioned positive aspects for innovation development as the lack of hierarchical structures and work procedures' formalization, as well as the non-limitation of communication channels. Thus, new ideas had the possibility to quickly reach the high SME' levels and obtain the necessary support for their implementation.

### **3.2. Case analysis – Amuyen Rectificaciones S.A.**

With the study of this family SME, it is intended to learn about the cultural characteristics and the innovation processes applied in a firm that -for almost 30 years- was dedicated to the car, truck and agricultural machinery engines repair and conditioning.

The data that is shown comes from the in-depth interviews with company employees and workers. Also, it is supported with the official information shown in their website<sup>3</sup>, and that of associated companies.

#### **3.2.1. History**

The company repaired 1,000 engines per year and employed 40 people, approximately. Its founder, Armando Urbano, shared the management role with his sons Sebastián and Fernando, who -over time- had added more services and business units. They had a laboratory -equipped with last generation machinery for turbo conditioning- and offered a specialized repair service for an agricultural machinery brand (CLAAS).

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<sup>3</sup> Retrieved from <http://www.amuyenmotores.com.ar/>, date 03/12/2019.

They based their distinctive value proposition on service quality, technological evolution and adequately trained human capital. That is why brands like Mercedes Benz and MTU Internacional/MWM appointed them as the authorized engines' repair workshop with factory warranty.

### **3.2.2. Innovation at Amuyen**

Cutting-edge technology has been the innovation basis at Amuyen. It allowed to reach a quality differentiation and to show that they could always find the latest in the market, with security and confidence.

At those days and in their area, there was an oversupply of services since many former employees were working in their own homes, increasing competition and lowering the quality of what was offered. In this way, Amuyen's strategy was focused on having advanced technology machinery at the same level of what was used in the central countries.

With time and constant investment in technology, they modified the internal processes' structure and hired a Process Coordinator, responsible for translating -in manuals and guidelines- procedures and ways of working that unconsciously they had adopted and made them more efficient. Until then, the work processes were only based on employees' memory and experience.

Marcelo Bocero, the Process Coordinator, highlighted that the new technology was implemented first and, after using it, they designed and defined each process based on the experience acquired. In this way, they captured the opportunities that the market offered and - after- they acted quickly to propose the most innovative products to their customers.

He indicated that the fundamental processes were implemented in the first years, freeing everyone to create and contribute ideas and knowledge. This openness to the best ideas shaped company identity, both in a technical and in a human way. Nowadays, there were not as many proposals as before, although the firm had not fallen into an absolute rigidity.

Over the years, other areas were addressed to help in company differentiation, like safety, hygiene and quality service. Although cost reduction and efficiency initiatives were implemented, the firm rested on the prestige obtained previously, however, it was recognized that they maintained a constant innovation intention, both in services and in their operational and management processes.

### **3.2.3. Mercedes Benz and CLAAS official technical service: The star business unit**

According to the official CLAAS web site<sup>4</sup> -a German multinational firm devoted to agricultural machinery manufacturing- Amuyen had become a key player for their clients throughout Argentina. Their history of service-oriented professionalism and their work philosophy based on commitment and respect, led them to strengthen ties with major brands such as CLAAS<sup>5</sup> and Mercedes Benz.

CLAAS proposed a fast and efficient technical service in the country, so they signed an agreement with Amuyen, which provided the official technical service of the Mercedes Benz engines that these machines used. In this way, Amuyen became the exclusive service provider in the country for this international company and -occasionally- carried out some work in Uruguay and Paraguay.

CLAAS primary objective was that machines should be repaired in the field where they were working or changed their engines within 36 hours of failure, and -additionally- carry out preventive maintenance, in winter, to be able to anticipate faults in high working times.

Sebastián Urbano, Amuyen Director, recognized that both Mercedes Benz and CLAAS had high and reliable technology and -additionally- simple and cost-effective products worldwide. In addition, he indicated that CLASS provided complementary services related to agricultural machinery, and that they provided information and training to Amuyen, which allow giving high service quality to their customers.

### **3.2.4. Amuyen culture**

Through conversations with different factory workers, arouse diverse issues related to Amuyen business culture, summarized below:

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<sup>4</sup> Retrieved from <http://www.smartfarming.com.ar/amuyen-en-camino-con-los-productores-argentinos/>, date 03/12/2019.

<sup>5</sup> CLAAS is one of the world's leading manufacturers of agricultural engineering equipment. The company, with corporate headquarters in Harsewinkel, Westphalia, is a leader in the European harvester market. In addition, the firm offers agricultural tractors, harvesters and packers, among other machinery. Worldwide and in 2017, CLAAS employed around 10,961 workers and had revenues of approximately 3.8 billion Euros.

- As the rectification of an engine involved a sequence of activities that took place in different workshop areas, an adequate coordination of tasks was required so as not to hinder the necessary subsequent work.
- It was highlighted the Process Coordinator ability to listen and take into account each one's experiences, allowing an improvement on the activity schedule. This did not happen with the current Workshop Head, a recently hired person and with little experience. The more mature workers didn't ask him anything and, very often, they didn't follow his instructions.
- The work climate was pleasant and relaxed, and much more in the absence of the owners.
- The time table was followed although there was some time flexibility regarding personal matters.
- Training was important and, within their industrial sector, was one of the firms that invested more in talent development.
- The company had certain difficulties in retaining qualified personnel, since -in their industrial sector and in the company, in particular- the salary level was not so high and, in addition, there was a high personnel demand with skills and technical knowledge.

In addition, some experienced employees pointed out that staff turnover had generated some loss in clients' confidence, who previously felt secure in dealing with the same people for many years and always obtaining a high quality service. For this reason, the customers were in front of new people, whose abilities were unknown for them, causing some concern about the quality of the work done.

- The cost reduction initiatives led to implement mass factories practices such as Toyota's, although much of the work they did was artisanal, not comparable with this type of company. They insisted that the engines, although with the same malfunction, may present particular characteristics, implying -in many cases- a certain degree of experimentation. That is why they emphasized that it was difficult to assimilate both production methods.
- The company owners had little feedback with employees, and some comments were only made on mistakes. Successful results were practically not commented.



- In front of errors, they tried to find the culprit and –then- they looked for solutions. On errors or mistakes, there was not a learning process implemented.

In addition and being a family business run by its owners, in many cases the problems transcended the work plane and personally affected those that were involved.

In the next Figure 3, it is shown a Summary of the most relevant elements of this case analysis:

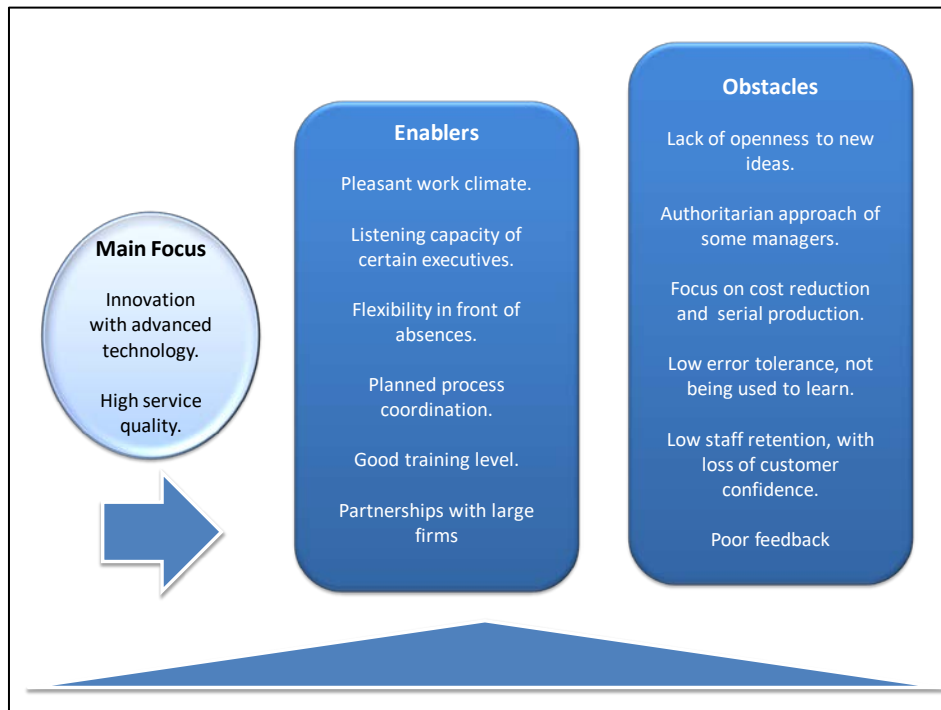


Figure 3: Case analysis – Summary

Source: Own

Based on what was stated in the in-depth interviews carried out in this field study, it can be seen that Argentinean SME did not have a favorable culture towards innovation, mainly due to:

- The limited presence of large companies that demanded innovative solutions from SME.
- Priority on stability and job security, strengthened by a huge State presence as employer.
- An entrepreneurial attitude motivated by the need to survive on their own, and not the intention to create and develop novel ideas.
- The errors and failures were not seen as learning sources.

- The lack of middle and upper management training.
- The advanced age executives' predominance and their little openness to new proposals.
- There wasn't an academic offer -private and state- focused on innovation.

Moreover and out from the case study analyzed, it was observed that the market differentiation came from an innovative services' offer, based on adding cutting-edge technology, and on partnerships with large and well-known companies.

Likewise, there were innovative performance enablers, such as flexible processes coordination and planning; considerable investment in training and pleasant working climate.

On the other hand, certain obstacles that hindered innovation were verified, such as difficulties in retaining trained personnel, low error tolerance, leaders' feedback deficiencies and lack of openness towards employees' initiatives.

In this way, the field work has allowed to verify the innovation lag that the Argentinean SME had, independently of the industrial sector to which they belonged or their particular realities. In the analyzed firm, some more advanced factors were observed in this aspect, although it cannot be considered a highly innovative company.

#### **4. CONCLUSION**

Culture -an intangible resource, built by values, beliefs, symbols, rituals, myths and practices- gives meaning and shapes people's behavior. It provides identity, commitment and control; stimulates innovative performance and proposes difficult-to-imitate competitive advantages.

The innovative culture –adhocratic, externally oriented and flexible- presupposes the creation of values, convictions and attitudes that lead to organizational excellence development. In these types of contexts, it is verified the search for new opportunities and challenges; distended environments; freedom and trust; acceptance of risks and uncertainties; extensive communication and feedback; recognition systems and adequate rewards, among others.

According to what was analyzed, the Argentinean SME -except, certain aspects such as time flexibility, easy access to managers and informality- showed some difficulty in order to promote innovative cultures; basically, in aspects like:

- Reactive, adaptive and imitative attitude that moves them away from producing competitive innovations.
- Processes focused on the search of new ideas and opportunities<sup>6</sup>.
- Right delegation in decision making.
- Leadership, based on an authoritarian style.
- Support to collaborators' initiatives.
- Possibility of learning from errors and mistakes to develop greater knowledge.

In Argentinean SME, it has been verified that the managerial role -oriented to generate a trust climate, motivation, follow-up, rewards, feedback and incentives towards the search for new ideas- could be improved due to different inhibitors that were noted in this work.

## 5. PROPOSAL

Developing an innovation culture implies raising awareness about its need and support. It refers to focusing on present and future organizational competitive advantages. In this regard, leaders should take into account the following elements:

- *Process*: Establish a process to manage innovation, with appropriate steps and filters.
- *Equipment and resources*: a) Conform appropriate teams; and b) allocate physical space, time and adequate resources for each project development, spreading the positive employees' contributions.
- *Focus on the outside* in order to be open to change and have the necessary flexibility.
- *Problems* should be addressed as challenges to be overcome.
- *Experimentation and errors*: While searching the new, allow experimentation and tolerate failures and errors when they arise. Mitigate the critical reaction to new ideas and use mistakes as a learning process, promoting knowledge exchange even with other companies.
- *Challenge and train* employees permanently so that they contribute to products and processes improvement. Involve the State in this type of activities.

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<sup>6</sup> For further information see Viltard, L. A. (2015) **Innovación organizacional: su comprensión, puesta en marcha como proceso y medición**, Avellino: B.S. Lab.

- **Awards:** recognize the most outstanding ideas and projects, and those who take risks and seek new alternatives, regardless of results.

Innovation has become a game changer in the competitive and social arenas. That is why the innovative culture –a particular intangible asset- is one of the most difficult challenges that companies' executives have today. It helps to achieve difficult-to-imitate and sustainable competitive advantages, proposing a high-to-reach quantum leap on present management and performance activities.

SME are scattered all over the planet and represent a fundamental driver for economic growth and social development. To be a laggard in the innovation race implies to accept that humanity -as a whole- will be relegated to decreasing life's quality levels. It is required to deal with this issue in newer ways, and administrators, entrepreneurs and business executives -in general- should find novel avenues to benefit more people of our society.

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