

INFLUENCE OF CULTURAL DETERMINANTS ON THE PROCESS OF BUSINESS INNOVATIONS MANAGEMENT

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Abstract

Globalization of markets worldwide causes free movement of not only capital, work force and technologies, but joint management of innovation problems. Open innovations have become a source of technological and economic development of the innovator-countries. In modern conditions transnational corporations are characterized by cooperation in the sphere of innovations and a high level of coordination and direct their orientation to open (international) innovations, which is an important source, on the one part, of technological progress development and, on the other, growth of profit.

In Georgia the most important themes of the innovation process is considered to be: institutions, finances, management, staff, technology, and the national and business culture, as the context of innovations is almost not considered. This is motivated by the circumstance that technological component of innovations is considered to be more important than humanitarian. Within the context of markets, fields and globalization of innovations the study and analysis of multicultural factors of innovations are becoming far more important.

Key words: *globalization of markets, innovations, transnational corporations, technological component, multicultural factors.*

JEL Classification: *M10, M16*

I. NATIONAL AND BUSINESS CULTURE AS THE CONTEXT OF INNOVATION

In the epoch of globalization the innovatory development is considered to be one of the basic sources of economic growth in the countries. Georgia's establishment at the Western markets, increase of competitiveness of the country is impossible without the technological development of the country and innovatory produce. If we take into account experience of the leading countries of Asia (China, Hong Kong, Taiwan and Singapore), we can conclude that the prerequisite of their "economic miracle" is not only open, liberal economy, but also innovation policy. Direct foreign investments in these countries are mostly made into the technological fields, which are characterized by the innovatouve effect. Orientation to the fields, characterized by economic results (e.g. tourism), does not give possibility of long economic effect and correct purposeful distribution of the investments. That is why, in a whole number of European countries, having high indicators of economic growth and differing with growing dynamic of GDP per capita, along with the sphere of services a priority place is being established by the scientific fields (e.g. Switzerland, which along with tourism receives high revenues from the innovatouve produce: electronics, watches, telecommunication).

One of the reasons of low determinant of global competitiveness of Georgia are those unsystematic reforms, which are being conducted from the 90s of XX century and which was finally followed by reduction of the innovation potential of the country, and technological degradation. By this is motivated that the country remained hopeful to the revenues received from the fields of services. The agricultural produce prevails in the export potential, tourism was considered to be a progressing branch, which appeared insufficient for filling of the currency reserves and for preservation of the currency stability of the country.

Georgia's positions in global index of innovations seem to be unfavorable. In 2017 global index of innovations, among 127 countries of the world Georgia is on 68th position with 34 points. It should be mentioned that compared with the index of previous year, Georgia lowered by four positions. The index published by the Cornell University and the world organization of intellectual property consisted of 82 components. 7 of them are basic: institutions, human capital and studies, infrastructure, level of development of market, level of development of business, knowledge and technologies, creative achievements. In the component of institutions Georgia is on 47th position, in the part of business environment – 53rd, simplicity of start-up business – 8th, simplicity of tax payment – 20th, in the component of human capital and studies Georgia is on 89th position,

infrastructure – 74th, market development level – 53rd, business development level – 202st, knowledge and technologies – 54th, creative achievements – 69th. In the first five countries of the “index of global innovations” are: Switzerland, Sweden, the Netherlands, the USA and Great Britain. As for the neighboring countries, in the rating Armenia is on Azerbaijan – 82nd, Turkey – 43rd, Russia – 45th, and Ukraine – 50th position [1].

The global index of innovations involves two subindexes: innovation input and innovation produce, by which the ratio of innovation efficiency is determined. Subindex of innovation output is an average point of the first five indicators (institutions, human capital/studies, infrastructure, and market and business development). Innovation produce is an average index of last two indicators (creative produce and knowledge and production of technology). The ratio of innovation efficiency is calculated by correlation of innovation produce with the innovation output. Its index fluctuates from 0 to 1, in which 1 is the best point.

By the criteria of the innovation produce Georgia is on 60th place with 26.7 points; and by expenses on innovations – 67th place with 41 points. In result, the ratio of the country innovation efficiency made up 0.7, and among 128 countries our country is on 67th place.

From the viewpoint of the country innovationness strong and weak sides are outlined. In case of Georgia its strong sides are named to be: simplicity of start-up business (97.8 points, 6th place); rate of tariffs (95.7 points, 5th place); simplicity of credit taking (85 points, 7th place); printed and published produce (83.2 points, 5th place); protection of interests of small entrepreneurs (68.3 points, 20th place); amount of direct foreign investments in relation to GDP (66.8 points, 10th place). Weak sides of the country: degree of cooperation of universities and companies/private business (27.3 points, 117th place); expenses on education (10.4 points, 115th place); expenses on studies and development (1.3 points, 103rd place); trainings suggested by the companies to their staff for retraining (9.4 points, 91st place); place of the first three universities of the country in the world rating (0 point, and last place together with other 56 countries of the world) [1].

In Georgia, as a rule under innovations technical innovations are understood. However, they are a part of only common innovation process and as the practice witnesses, cannot be successful without consideration of economic, cultural, political processes.

The problem of technical innovations today leaves the frames of development of the new products, and the accent is transferred on such issues, as business model, corporative structure, formation of a chain of value, services, brand, experience of the client [2. p 8]. Innovation, in the center of which is a new product, cannot be implemented without settlement of marketing, information technologies, organizational, socio-cultural, financial problems. In the globalized business environment the process of open innovations demands more open and inclusive discussion of innovations than it is traditionally accepted in Georgia. Integral, multidisciplinary and interdisciplinary approach to this process enables to give answer to numerous questions, being topical considering the reality of Georgia.

The innovation process implies stage by stage formation of innovations. Scientist M. McKeon [3. P 341] presents the following stages of the innovation process:

Idea – distribution of the idea – its practical realization, formation of innovation

As it is seen from this scheme, in conditions of globalization the innovation process can involve several organizations. Respectively, the innovation being realized by one organization is open. The scheme shows that in current conditions transnational corporations are characterized by cooperation in the branch of innovations and a high level of coordination and they are oriented to open (international) innovations, which is an important source of, on the one hand, technological progress and, on the other growth of profit.

Therefore, the innovations can be discussed as a phenomenon, which is characteristic to developed, having modern market conditions, countries, which differ with a high degree of integration and globalization. Georgia does not belong to such countries, which is one of the reasons that it in fact does not participate in open innovation process, due to which the possibility of filling the revenues of the country from this most important factor is restricted. It is also clear that this great difference, existing between the innovator-countries and Georgia, its peripheral place in the world technological development. In the latest perspective, with the existing innovation potential, Georgia will need 30-40 years for to become with the level of technological development equal to the developed countries.

Scientist H. Chesbrough considers correct that open are innovations much “depend on development of ideas and technological mediatory markets” ideas [4, p 403]. In Georgia such a mediatory market is neither developed nor formulated. Business models of open innovations are conditioned by such objective factors, as market globalization and global competition, reduction of life cycle of the product, growing complexities of forming the new technologies (respectively, expenses and risks increase), development of technologies, staff and making of financial decisions. In the modern conditions, innovations cross the borders, and are born and developed in different cultural environment. Correspondingly, the cultural component of the innovation process keeps becoming more important.

The most discussing themes of the innovation process in Georgia are considered to be : institutions; finances; management; staff; technology, the right of intellectual property, and the factor of culture is important,

but less studied. National and business culture, as the context of innovation – is almost not discussed. This is motivated also by the fact that the component of innovation technologies is thought to be more important than the humanitarian one. At the same time, within the context of globalization of markets, fields and innovations the consideration of multicultural factors becomes far more important.

II. MULTICULTURAL FACTORS OF INNOVATIONS

In the innovation along with technical components the multicultural origin is important. Culture determines specificity and peculiarities of the innovation process. Success of the process of open innovation demands consideration of multicultural peculiarities of the nations, proper apprehension of dominant function of the state, and study of religious approaches to the innovations. Renowned American scientist L. Harrison studied the cultural peculiarities of the countries of Central America and the Caribbean Sea. The researcher came to the conclusion that the poverty and injustice prevailing in these countries has deep cultural roots and an important role in this process was played by such determinant of culture, as religion. “Some religions are better oriented to personal responsibility, entrepreneurship education and confidence than others. As for democracy, well-being and supremacy of law, protestant societies, especially the countries of the North (Denmark, Finland, Iceland, Norway and Sweden) are considerably ahead of the catholic nations. The confucian societies (Japan, Singapore, Korea, Taiwan, China) reached transformational economic growth. Islamic countries, even in the regions rich in oil, still differ by the economic slowdown pace [5, p 134]. By the religious factor can be explained high tempo of economic development in the countries of Europe, which was justified still in last century by renowned sociologist Max Weber in his work: “The Protestant Ethic and the Spirit of Capitalism” (Roxbury Publ. Co., 2002). Church reformation, inspired by the ideas Calvinism, Lutheranism, caused a strong and progressive push of economy. L. Harrison, who connected capitalism to democracy and freedom, also highlights the role of Orthodox church, which promoted anti-capitalistic tendencies in the Orthodox countries, which in its turn, was exercising negative influence on innovations of these regions [5, p 108]. L. Harrison considers that within a period of time (shift of several generations) can develop culture – which in its turn will cause political pluralism and economic development. The most important instruments of change are: 1) education, which promotes development of democratic and entrepreneurial values; 2) improvement of child upbringing; 3) religious reform [5, p 132].

It can be said that the Georgian culture is resistant to the innovations. It opposes the progress. The basic legislative, democratic terms of the country do not match the demands of cultural reformation and formation of innovation economy of the country.

Among the cultural factors of technological progress, British researcher G. Gelade stresses open intellectual environment, intellectual autonomy and social equality [6, p 412]. American researcher S. Shane [7, P 51] mentions that the attitude to uncertainty (as readiness for the risks and changes), individualism (as autonomy, independence freedom), and lack of authorities distance (as an antipode of hierarchy and authoritarianism), is associated with the high innovation of the nations. “The national indicators of innovations are conditioned by more fundamental forces than by economic conditions. Social changes can be necessary for the less innovation society to become more innovative [7, p 38]. In the opinion of researcher T. Friedman development of the country is conditioned by such cultural factors, as openness of foreign ideas and the wish of the nation to cooperate with foreigner [8, p 178]. According to L. Harrison, “some cultures are more predisposed to the progress, while others are not”. In his book “The Central Liberal Truth (Oxford University Press, 2005, pp 36-37) L. Harrison presented comparative features of the cultures predisposed to the progress and opposite the progress. The factors of culture are united in 4 groups – “idea of the world”, “values”, “economic behavior” and “social behavior”.

Table 1
Typology of cultures predisposed and opposing the progress
According to L. Harrison

Factors of culture	cultures predisposed to progress	cultures opposing progress
View of the world		
Religion	preaches rationality, achievements, stimulates accumulation of wealth focuses on the reality of this world	preaches irrationality, suppresses accumulation <u>focuses on nether world</u>
fate	influence on one's own fate is possible	influence on one's own fate is impossible
time orientation	priority is attached to seeing the future, <u>planning, punctuality</u>	priority is not attached to <u>punctuality</u>
wealth/well-being	product of human activity, it is possible to increase it	what we have is wealth
knowledge	practical, verified	cosmologic, not verified, abstract, theoretical
values		
ethic code	strictly formalized, causes confidence	non-formalized
education	it is obligatory, non-Orthodox, creative	dependant, Orthodox
Economic behavior		
work/achievements	live for work, work leads to wealth	work for live, work does not lead to wealth
thriftiness/rationality	priority is attached to investments, rationality	danger of equality
entrepreneurship	creative	oriented to rent
innovation	open innovations	slow adaptation to innovations
competition	leads to perfection	opposes equality
Social behavior		
Supremacy of law	obedience to law, anti-corruption fight	weakness of law, corruption
Radius of confidence and identification	identification to public at large	weakness of law, corruption
individual, group	individualism	collectivism
authority	balanced control,	centralized
attitude to church	secular	religion plays main role in public relations
gender relations	gender equality	woman obeys man in all the spheres

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Source: Hurrison, The Central Liberal Truth. Oxford Univeristy Press, 2006, 272 p, pp 36-37

III. DEVELOPMENT OF MULTICULTURAL COMPETENCE IN THE SPHERE OF GEORGIA INNOVATIONS

Culture involves abstract and material elements. Abstract elements involve values, norms, ideas. All the components of culture are inter-related. For example, Renowned economist S. Sheman mentions that democracy is impossible in the country, where GDP per capita does not exceed USD 10 000 [8, p 71].

Researcher J. Moven [9, p 702] points to the relation between culture, the level of society well-being and public institutions. According to the scientist cultural conception of the society demands three complex factors, which form three-dimensional matrix of culture. They are:

Cultural values (for the USA – individualism, achievements, informativeness, equality, progress, materialism).

Material environment (economic development, geographical determinants, natural resources, technical/scientific level).

Institutional/social environment (legal, political, religious, bsuness, subculture).

To activate participation of Georgian business in open innovations, for overcoming the multicultural barriers er consid obligatory the following obligatory:

1. Formation of innovation amrket, formation of institutional terms for its development in Georgia.
2. Formation of mediator institution of innovations in the country, to impose this function on the agency of innovations and technologies and the public relations department of the Ministry of Science and Education.
3. Introduction of principles of cultural relativism in the sphere of innovations.
4. Establishent of the idea of cultural tolerance and respect to other cultures contrary to cultural marches and intensive propaganda of this idea in the population.
5. Internatinalization of the spheres of education and business sciences, protection of principles of their openness.
6. Propaganda of the innovation values, formation of terms for material and moral stimulation of scientists-innovators.
7. Formation of institutional, legislative and financial terms to stimulate onnovation business in the country.

Realization of thes and other measures will enable Georgia to leave the list of non-innovation countries and join the category of innovation countries, which in its turn can become a pre-condition for rconomic development of the country.

IV. CONCLUSION

Innovations are the phenomenon of globalizing, dynamic and highly competitive markets of goods, services and ideas. Open innovations cross the borders of companies, of countries and of continents and because of it are regarded as cross-cultural process. Georgia’s wide-scale integration into global innovation networks supposes the development of cross-cultural competencies for Georgia society. The knowledge and understanding at least, and possibly, the adoption of cultural values of the nations – global innovation leaders – are important.

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