STRATEGIC INNOVATION APPLICATION IN CREATIVE INDUSTRIES IN LATVIA

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Abstract
The purpose of the research is to identify if the companies operating in the Creative industries (CI) in Latvia are aware of the importance of Strategic innovations (SI) and the role of SI in contributing to a company's sustainability and, consequently, its competitiveness.
Design/methodology/approach - The chosen research method is the quantitative one that will enable to measure the hypothesis basing on statistical data. The survey of the research work sticks to a questionnaire, which contains 19 questions. The survey has been sent out to around randomly selected 500 creative industries companies, whereby the number of respondents comprises 58.
Findings - In order to successfully implement directions towards SI introduction and further development in CI companies, a focus could be set on the leadership activities, HRM team, and also professional associations. These three factors are able to crucially impact on the SI development in Latvia.
Research limitations/implications - The necessity of more advanced and comprehensive application of SI in CI is evident. Therefore, it would be important to extendedly provide further research evidence on the essence and positive effects of SI on business performance in CI.
Practical implications - For the implementation of SI a leadership team should distinctively communicate the company's commitment to the particular innovation and underline the logic behind it. To enable that, leadership should illustrate clear and adequate signals concerning the significance of the activities and eradicate unnecessary ones.
Originality/value - The conducted research enabled to define the level of SI application within the framework of CI in Latvia.

Keywords: creative industries, strategic innovation, sustainability, leadership, drivers

1. INTRODUCTION

Nowadays, with the evolving of new technologies, market environments are changing and altering at a quick pace challenging, thus, enterprises. Many enterprises are finding themselves in highly inconstant markets and face the need of re-conceptualizing their market strategies. While markets become instable, the focus of businesses is put more and more on quality, price, delivery, and innovation as well (Drejer, 2006). The latter are faced vague industrial conditions, which stimulate them towards finding the most optimal ways out in order to survive in a complicated climate.

Striving to successfully solve the emerging issues, enterprises realize the urgent need in resolute and radical changes in their operations as well as the ability to preserve their sustainability. Dynamically reinventing strategies and business models in compliance with changing circumstances, i.e. applying strategic innovations, is a key factor for achieving the desired business sustainability.

Strategic innovation is "…a fundamental different way of competing in an industry by breaking the rules of the game and thinking of new ways to compete" (Sniukas, 2007).

The problem presented in the Paper is the emerged need for CI enterprises to turn to strategic innovations for gaining business sustainability and thus contributing to economy development.

2. STRATEGIC INNOVATIONS ESSENCE AND CHARACTERISTICS

Although there is no common understanding of innovation itself among researchers, the authors of this article share the view of Preda (2013) on innovation that it implies the creation of new ideas aimed at generating value both for firms and clients depending on the presence of embedded novelties and added values in products, services, procedures, marketing or organizational issues (Preda, 2013). There are different types of innovation and among them SI is becoming more recognized as a tool to ensure business viability in the long run.

SI is an approach that guides enterprises for surviving in these vulnerable markets, thus, helping to maintain or achieve new competitive advantages. According to B.B. Schlegelmilch, A. Diamantapoulos & P. Kreuz SI is considered as one of the most frequently named terms used for the application of innovation to business strategies (Schlegelmilch et al., 2010).

J. Weerawardena's point of view is based on the idea that SI is corresponding to innovation in the process of defining and carrying out the strategy of a company. It is considered to unfold the undiscovered with the purpose of acquiring new knowledge, new markets as well as spheres for competition (Preda, 2013). Petraite defines SI as the formation of growth strategies, business models, categories of new products or services, which in turn, provoke important values for clients and enterprises. So, being a holistic systematic approach, SI concentrates on producing innovations that are distinguished as periodical and revolutionary. As to Petraite, innovations turn "strategic" under the conditions of deliberate recurring process, which evolves essential difference in the value received by customers, partners and the firm itself. The whole process involves industry and market analysis, customer understanding, and strategic adaptability (Petraite, 2010).

Drejer (2006) expresses another point of view in regards to SI stating that SI is equivalent to the capability of generating and reviving the business idea and enterprise concept through altering the enterprise's market as well as its competencies and business system. From this it follows, that the main focus of SI is the development of an enterprise.

So put differently, SI refers to introducing novelties to the strategy itself. The concept of SI deals with issues like selecting of optimal customers, outlining of customer value and forming of value chain. The two latter can be reached by means of recognizing, estimating and applying facilities as well as originating new ideas that derive from gathering and distributing of market information. As a consequence, it is evident that SI can bring to three possible outcomes, which are as follows:

- new business models that involve a new value chain structure;
- new markets achieved either through building new ones or restructuring present ones;
- added value for enterprises as well as clients.

SI as a concept and the thinking beyond it rests upon three pillars. The first one involves the necessity for managers to recognize the strategy for the present time as well as the strategy for the future with the purpose of remaining successful in the long run. The essence of the second pillar grounds on the theory underlining that innovation and effectiveness are to be treated differently in terms of organization types in order to achieve success since creative thinking and conventional analytical thinking in principle vary from each other. The final pillar testifies that the competition, nowadays, is focused more on business models changing competitive conditions than on product-markets or technology (Drejer, 2006).

3. DRIVERS FOR ENSURING STRATEGIC INNOVATIONS IN BUSINESS

Existing literature provides various methods of fostering SI process. Schlegelmilch et al. are among other researchers who determined major elements of this process, and namely the drivers. In their work "Strategic innovation: the construct, its drivers and its strategic outcomes" Schlegelmilch et al. state that SI has four main driving forces: culture, process, people, and resources.

Culture is the first component in the chain of SI drivers, the creation of which involves a person's opinion, interpersonal driving force and regulations within a society that define a people's community in a specific period of time and place. Contributing to a separately taken person's culture, an organizational culture supplements the performance of a company through values, symbols, beliefs, myths, language, etc. In other words, culture thoroughly impacts values, beliefs, and assumptions within a company, and namely those of the staff, which, in turn, are reflected in the behavioural model of employees along with the manner of interaction employees practice within and outside the firm. All this, as a result, determines the level of innovation capacity the firm possesses.

People are also regarded as one of the main SI drivers due to the fact that the way employees of a firm think and act defines the firm's innovation potential. The driver People is being regarded as people working inside the firm, i.e. managers and staff, together with those outside it, i.e. clients, associates, and industry leaders. Possessing such a twofold function, people present a significant factor in generating SI.

Process is the next driver of SI that deals with enhancing strategy elaboration process. The traditional strategy elaboration process is related to a well-planned, analytical procedure. Subsequently, strategic planning undergoes critiques for supporting reductionism due to proposing effortless methods, sticking to excess monitoring, and adhering mainly to historical precedents. As opposed to it, SI process is aimed at creative discovery as it is development and future oriented. Moreover, the process of SI strives to fuse new variations and exceed current business frontiers. The profitable outcome of its implementation may bring to unveiling of unchallenged competitive arena and also to revealing and following of development chances overseen by traditional processes.

The last driver of SI suggested by Schlegelmilch et al. is *resources* that basing on the traditional logic is to be employed with all its available assets and capabilities by an enterprise. In case company-related resources are uncommon, valuable, unique, and possess no adequate replacements, business implementation of high level is to be forecasted. Pursuant to this resource-based perspective, enterprises perceive business possibilities proceeding from their actual assets and capabilities questioning, thus, "Given what we have, what is the best we can do?" Hence, the main issue is bringing inside systems and capabilities in compliance with outside possibilities. Put differently, concentrating on actual capacities and achieving a certain level of development, the company stops utilizing new ideas that could contribute to its prosperity. So, this is the point where strategic innovators stop the pattern of combining internal capacities with external possibilities by questioning "What would we do if we were starting anew?" (Schlegelmilch et al., 2010).

As to J.C. Prabhu, R.K. Chandy, and M.E. Ellis, efficient innovations depend on companies' wide and profound knowledge base. A company possessing such extended *knowledge* profits in accumulating new ideas from a range of fields and markets (Leal-Rodriguez et al., 2013).

Taking into account available researches, Prince et al. underlined the significance of *dialogue* as an accelerator of SI especially in the reshaping of intellectual patterns. Dialogue makes it possible to thoroughly analyze present intellectual patterns and opportunities for

shaping new ones giving simultaneously impulse to important alterations required for sustainable SI. (Prince et al., 2014).

Markides and Anderson state that in spite of the presence of several driving factors positively impacting the conduction of a cardinal new strategy, *information and communication technology* (ICT) can be regarded as a crucial one in the successful achievements of a majority of strategic innovators nowadays. SI by means of ICT allows strategic innovators to expand their businesses rapidly. Subsequently, this expansion causes value chain shaping, which varies from industry standards and, in turn, defends innovators from rival invasions (Markides and Anderson, 2006).

Among other drivers of SI, Tse proposed a rather different view on driving forces of SI, and namely, *paradoxical approach*. The term paradox reflects a state of things when at least two components (for instance, ideas, demands, offers, views, feelings) although being interdependent, contradict each other at the same time, what increases with time. Aiming at SI, companies can gain organizational success through prompting contradictions and, thus, challenging actual prevailing mentalities, ordinary functions, habits, in other words, through identifying and addressing paradoxes (Tse, 2013).

4. CREATIVE INDUSTRIES CHARACTERISTICS IN LATVIA

Latvia is sticking to the CI classification of the UK DCMS models, i.e. it involves industries like advertising, architecture, art and antique market, crafts, design, fashion, film and video, music, performing arts, publishing, software, television and radio, video and computer games. Like other EU Member States, Latvia made efforts for getting closer to the British pattern when taking the first measures in CI establishment. It should be highlighted that the British Council, French Embassy, Danish Cultural Institute, Goethe-Institute, Nordic Council of Ministers, and other Nordic Council of Ministers, contributed significantly in the process of knowledge sharing and rise of local competence level in the matters of CI in Latvia (Estonian Ministry of Culture, 2010).

In Latvia, the intensive conduction of policy-planning process involving CI has been launched around 2005 (Estonian Ministry of Culture, 2010). The significance for CI elaboration in Latvia was first presented in the Guidelines for the State Cultural Policy of Latvia for 2006 – 2015. The Latvian Ministry of Culture drew in a broad range of experts both local and international along with governmental, private and municipal institutions. Following the introduction of CI matters in the national cultural policy guidelines, the implication of creative industry topics in all major policy planning documents in Latvia has been promoted by the Ministry of Culture. The documents may vary from the National Development Plan 2007–2013 to the National Development Plan 2014-2020, the National Lisbon Programme 2005–2008 and the National Strategic Reference Framework document 2007–2013 (Compendium of Cultural Policies and Trends in Europe, 2014).

The key reasons for the introduction of issues concerning CI policy imply a broadened version of general cultural policy issues:

- developing CI has a connection with matters of national identity, language, specific export products as well as the perspective for marketing Latvia on the international arena;
- due to the fact that the Latvian Ministry of Culture is dealing with issues covering education sector of cultural and CI, the latter are interrelated with matters regarding creative people's conditions, i.e. their social security, mobility of people from the cultural sphere as well as maintaining the strategic linkage between cultural and educational sectors;
- perception of CI as those closely linked to creating markets and the consumption of cultural products and services;

- comprehension of interrelation of CI elaboration with the consequent enhancement of cultural administration (strategic management related to the performance, administrator trainings, setting up sound and sustainable research systems, and so on). (Estonian Ministry of Culture, 2010)

Besides, the Cultural Policy Guidelines of 2006–2015 highlighted the interdependence between creativity and economy: "Creativity nurtured by culture and the arts in conjunction with knowledge is now the main resource for economic growth. Creative industries as a new sector of the economy ensure utilising this resource in the creation of goods and services with high added value." (Estonian Ministry of Culture, 2010)

It can be stated that CI in Latvia concentrate more on the internal consumption and micro-business, to be precise on a small amount of employees, turnover, preservation of current market positions, rather than on business development, that means on the productivity and turnover growth (Association of persons Baltijas Konsultacijas Ltd and Konsorts Ltd, 2013).

Worth mentioning is the share of the economic input of the CI since 2002, which has been estimated and highlighted in the research conducted by the World Intellectual Property Organization (WIPO). WIPO studies ground on the level of dependence of CI industries on copyright material. Furthermore, it sets up a range of macroeconomic indicators and suggests research norms and methods. Using best international practices, the guidelines of WIPO were established and carried out in more than 45 states. The study points out the fact that CI significantly contribute to the national GDP as well as employment. What concerns the national GDP, it differs from country to country and in three quarters of surveyed countries it ranges between 4 and 6.5. per cent reaching an average of 5.20 per cent as of 2013. An above-average share of GDP owed to CI has been presented in states undergoing robust economic growth. Latvia's GDP, in particular, profited with around 5 per cent through the CI (Creative Economy Report, 2013).

As regards the national employment, the contribution of CI makes out an average of 5.36 per cent, whereas almost three quarters of the surveyed countries position themselves between 4 and 7 per cent input to national employment. Countries that enjoy an above-average share of CI in GDP present an above-average share of employment as well. Latvia exceeding the average of 5.36 per cent achieves a considerable level of CI contribution to the national employment (Creative Economy Report, 2013).

5. EVALUATION OF APPLICATION OF STRATEGIC INNOVATION IN CREATIVE INDUSTRIES

The research of this paper is covering the field of CI and deals with the role of SIs in ensuring business sustainability in this area. The hypothesis that arises from this topic is as follows: "The application of strategic innovations has a strong influence on ensuring business sustainability in creative industries in Latvia". The chosen research method is the quantitative one and will enable to measure the hypothesis, which is a scientifically accurate statement, used to define the relationship between two variables (Zikmund et al., 2013). The variables, which derive from the hypothesis involve "Application of strategic innovations", which is considered as an independent variable, and "Business sustainability" referring to a dependent variable. The application of SIs in the given research work is a process that happens first and can be related to the "cause" of further changes. These changes consequently form the outcome and, namely, business sustainability. Being a dependent variable, business sustainability can be measured during the research. All in all, the initial assumption (hypothesis) of the research work is being checked during the research course and, as a result,

it can be either approved or refuted. In other words, it will pursue its purpose to find a reliable answer to the assumption.

The proper tool for exact evaluation of application of SIs in CI in Latvia would be a thoroughly composed questionnaire containing 19 questions. Conducting a questioning implies a written form of the survey. Similar to interviews, questionnaires involve a set of well-defined written questions that are offered to the respondent. Consequently, the final questionnaire was meant to be sent out to managers from the CI. The purpose of the whole study is to identify if the companies in Latvia operating in the CI are aware of the importance of SIs and the way they contribute to a company's sustainability and, consequently, its success.

Conducting this survey, it would be possible to define how many firms apply SIs. So, the survey is aimed at shedding light on and proving the fact that innovation should be an integral part of business strategies since it is being assumed that SIs contribute to a company's constant growth and, consequently, are the driving force for sustainability.

First of all, it should be noted that during the conduction of the survey some of the managers refused to take part in it supposing that their companies do not have any relation to CI. Despite being proportionally just a small sample, the survey leads to the assumption that the deep understanding of the notion of CI did not gain enough expansion in Latvia.

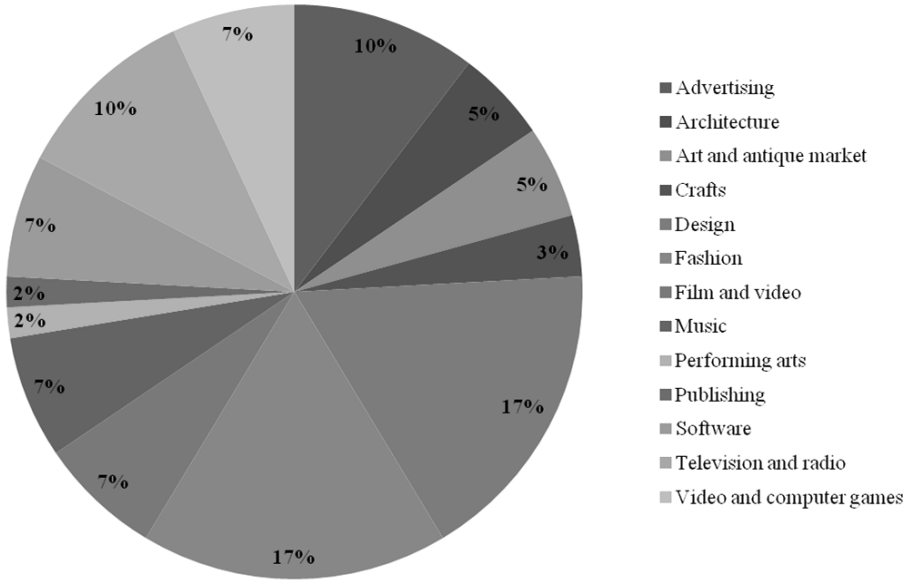


Figure 1. Type and percentage of industries and responses respectively (percentage)

The biggest number of responses came from the design and fashion industries comprising 17%, being followed by the advertising (10%), television and radio (10%), music (7%), software (7%), video and computer games (7%), film and video (7%), architecture (5%), art and antique market (5%), crafts (3%), performing arts (2%), and publishing (2%) industries. More than half of the responses is referred to the female gender and related to the nominal measurement level, accordingly.

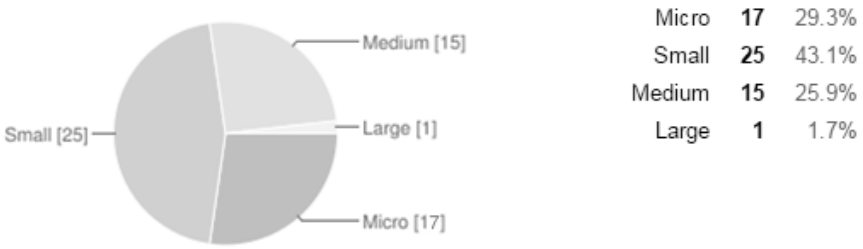
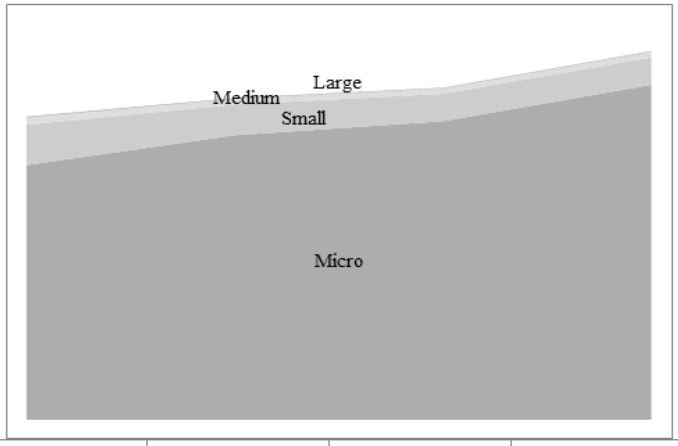


Figure 2. Types of companies according to their size (number and percentage)

As it can be seen in the figure 2. which illustrates the division of the surveyed managers in regards to the type of their company size, 17 out of 58 companies refer to micro ones, thus, making up 29,3%, and 25 out of 58 are considered as small companies reaching 43,1%. As of the survey, it is evident that micro and small companies, relating to more than half of the responses, dominate in the market. With respect to the large and medium ones, they comprise 1,7 and 25,9 percent, respectively, forming, hence, the smaller sectors among the CI in Latvia. Such kind of information has also been provided by Baltijas Konsultacijas Ltd and Konsorts Ltd in their 2012 Report "The performance of the creative industries sector of Latvia and preconditions for its targeted development".



	2008	2009	2010	2011
TOTAL	10691	11348	11712	13004
Large	28	26	22	23
Medium	255	201	191	199
Small	1426	1083	966	967
Micro	8982	10038	10533	11815

Figure 3. Economically active statistical units* from 2008-2011 by company size classes in Latvia (number)

Source: Baltijas Konsultacijas and Konsorts (2013)

As it can be seen in the picture above, as of 2011, Latvia's CI and related fields are made up mostly by micro companies, to be precise, about 90% of enterprises relate to the category of micro enterprises, which implies 9 or less workers or annual turnover equal to or less than 1.4. million LVL or balance sheet total equal to or less than 1.4. million LVL. (Baltijas Konsultacijas and Konsorts, 2013) This information matches with the data arising from the survey conducted by author, thus, supplementing its validity.

As depicted in figure 3., 16 out of 52 managers (52 out of 58 indicated the company's turnover) making out 30,76% of total respondents number relate to the companies generating a total turnover ranged between 101000 – 500000 EUR. According to the survey results, a comparatively lesser amount of companies, i.e. 28,84%, reach a turnover in the range of 0 –

50000 EUR. Moreover, only 26,91% of the companies achieve an annual turnover between 501000 and 5000000 EUR. Consequently, the average annual turnover of the surveyed companies is 750,538 EUR.

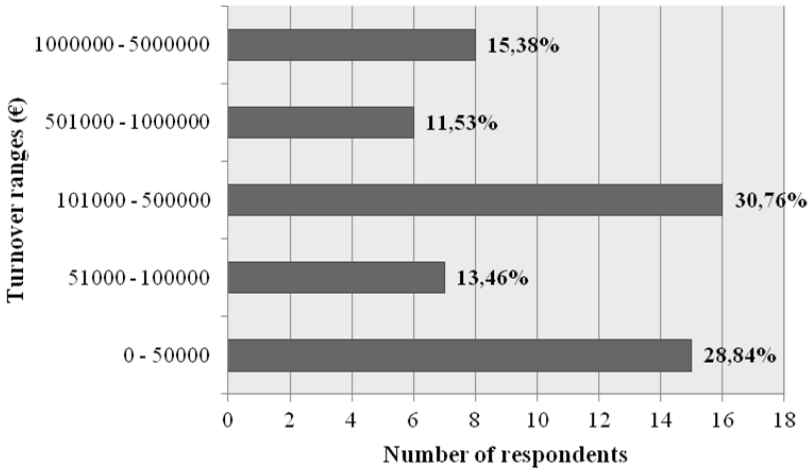


Figure 4. Percentage of respondents with respect to companies' annual turnover (percentage)

The questionnaire also included the multiple choice question "Do you agree that strategic innovation is...?" with the purpose to define the level of awareness companies' managers have with regards to SI. There have been provided four answer options to choose between, two of which were true (1 and 3):

1. a fundamentally different way of competing in an industry by breaking the rules of the game and thinking of new ways to compete;
2. process of creating strategy of a company, whose main activity is the implementation of innovation;
3. the ability to dynamically reinvent business models and strategies as circumstances change;
4. strategized innovation planning reflected in innovative behaviours of the firm in its current context or markets and industries.

With the choice of the first and third options, 53,4% and 24,1% of managers respectively defined SI correctly. This gives ground to imply that the overwhelming majority (77,5%) of surveyed managers are aware of the essence of SI.

Following that, 77,6% of the managers confirmed their implementation of SI, whereby 22,4% stated that their companies do not pay much attention to SI.

As regards the drivers of SI that have already been mentioned before, the managers have been given the opportunity to choose which of the listed drivers in their opinion boosts SI most. Gaining 46,6% and leaving, thus, other drivers far behind, the driver People is considered by the managers as one greatly fostering SI. Although the driver Dialogue/communication has not been chosen at all, nevertheless, this cannot indicate to its unimportance. This is because dialogue being considered as a means of communication forms a part of the People driver, hence, should not be fully excluded.

Table 1

Predominance of the drivers according to manager's point of view

Drivers of SI	Number of people	Percentage
Organizational culture	7	12.1%
Resources (e.g. assets, capabilities)	3	5.2%
People (inside and outside the company)	27	46.6%
Strategy development processes	4	6.9%
Knowledge	11	19%
Dialogue/communication	0	0%
Information and communication technology	4	6.9%
Paradoxical logic	1	1.7%
Other	1	1.7%

In practice, there is an inconsiderable amount of managers, who articulate what the key drivers of SI are and some of them maybe even do not fully realize them. This leads to the assumption that respondents could answer this question relying mostly on their intuition rather on precise information.

Moreover, basing on the results of the survey in average the companies possess 18 employees, out of which 3 are managers. It should be noted that in average 2 of the managers take part in the in the process of defining the company's strategic direction of development. It can be assumed that involvement of at least 3 managers, i.e. all of them, could be referred as a more optimal number in proportion to the total number of employees. So, a bigger involvement of managers bringing intense cooperation and broader knowledge input would generate more ideas and, consequently, bring to better outcomes boosting, thus, SI. This process would involve at least three of the above mentioned drivers – People, Dialogue, and Knowledge.

The last question of the questionnaire was intended to find out what kind of activities from the managers' perspective would foster the understanding of the role of SIs in ensuring business development. The three most frequently mentioned recommendations of the 48 managers, who answered this question, were:

1. Bringing examples (33%) by, for instance, presenting case studies both of successful companies that achieved growth after applying SI and also of those companies that failed in the implementation of SI;
2. The conduction of seminars, trainings, courses, and etc. (21%) that are aimed at enhancing staff's competence;
3. Education level of the top management team (17%).

Among other suggestions were communicating the planned change/innovation, benchmarking, teamwork, R&D, IT, and etc.

As regards the education level of the managers, most of them, and namely 48,3%, possess a master degree.

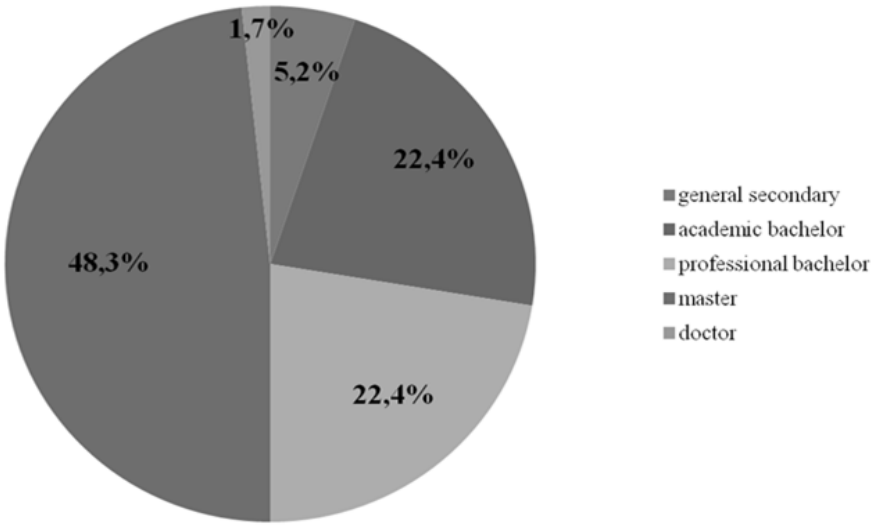


Figure 5. Education level of surveyed managers (percentage)

As it was already mentioned above 77,5% of surveyed managers are aware of the essence of SI and 77,6% conduct SI. It is evident that there is a balance between these figures as well as with the sustainability level of the companies as evaluated by the managers. 75,7% of the managers evaluated the sustainability level of their companies (scaled from 1 to 10) as lying within the interval including rates like 'good' (7), 'very good' (8), 'extremely good' (9), and 'perfect' (10). This leads to the assumption that being informed about SI and implementing it correctly affects the sustainability of a company in a positive way. These results approve the initially formulated hypothesis of the research work: "The application of strategic innovations has a strong influence on ensuring business sustainability in creative industries in Latvia". This means that the independent variable "Application of strategic innovations" causes "Business sustainability", i.e. influences the dependent variable. In other words, it can be a proved that SI is the driving force for sustainability and, thus, a tool leading CI to the expansion.

However, it should be noted that given the question "How much of a company's success you think depends on applying of SIs for fostering its sustainability?", the percentage of respondents chosen the options 'extremely' and 'very much' comprised 58,7%. There emerges a supposition that although most of the companies are aware of SI, conduct it, and, hence, achieve a good level of sustainability, nevertheless, a relatively fewer percentage realizes that a sustainable success is considerably owed to SI. So, the implementation of SI results in corporate sustainability and, consequently, sustainability of a company is the ground for its sustainable success. According to the 2010 UN Global Compact-Accenture CEO Study "A New Era of Sustainability", "93% of CEOs see sustainability as important to their company's future success." (Bertels et al., 2010)

6. THE NECESSITY OF WIDER APPLICATION OF STRATEGIC INNOVATIONS IN CREATIVE INDUSTRIES IN LATVIA

Innovation is able to happen only if the capacity to innovate is present in an enterprise. Innovation capacity relates to the availability of resources, collaborative structures, and processes of solving issues. As regards the SMEs, the existence of resources concerns mainly financial sources as well as skilled labour force (Laforet, 2011). Observing the Latvian CI in

compliance with the conducted evaluation, it is evident that the CI in Latvia is mainly made up of small and micro enterprises. According to the report "The Performance of The Creative Industries Sector of Latvia and Preconditions for Its Targeted Development", 57% of entrepreneurs evaluate that at present in the labour market there is not sufficient availability of required employees. It is especially acute for the companies that were set up in the past five years, 65% of which assess the availability of employees as not sufficient. When looking for and attracting the necessary workers for the company, in total 41% of CI companies faced with such problems as absence of qualifications and professional competence. 10% of entrepreneurs pointed out that they confronted such issues as a potential employee laziness, unreliability as well as shortcoming of communication skills and other personal characteristics of potential employees (Baltijas Konsultacijas Ltd and Konsorts Ltd, 2013).

Due to the fact that today CI in Latvia did not achieve the highest level of its expansion and are finding themselves in the development stage, this conforms to the innovation level in the corresponding industries. The Cultural Policy Guidelines 2014-2020 "Creative Latvia" highlight the fact that worldwide CI play the role of a driving force for innovations and economic competition both in the CI sector as well as in economy as a whole. This way the CI create cross-sectoral transfer effects, the so called spill-over effects, and conduce to other sectors' enterprises development. As regards Latvia, these processes are elaborating at a slow pace, which results in Latvia taking the 25th place among the EU Member States according to indicators of innovations in compliance with the 2013 report on results of the Innovation Union. Latvia's innovation capacity is comparatively lower than the average level of EU Member States, thus, Latvia has been measured as a "modest innovator" (Cultural Policy Guidelines 2014-2020, 2014).

Up to now, the role of CI in the elaboration of other sectors' innovations has been realized only within the scope of individual projects and has not turned into customary practice. As a consequence, under such conditions, there arise issues like comprehension and maintenance of innovations' significant role in the agenda as well as ensuring cooperation and synergy mechanisms for intended interaction between CI, scientific and research institutions, and other sectors of the economy (Baltijas Konsultacijas Ltd and Konsorts Ltd, 2013).

It can be stated that there is interdependence between the CI and the SI conducted within them. The higher the creativity level is the more innovations, in particular SI, can be generated in Latvia. Enhancing the CI and the understanding of it within the society will positively affect the potential of SI.

Furthermore, another important aspect to mention as regards SI is its measurability. In order to find out whether a notable innovation success occurs, financial results are being analyzed. However, these are provided just at later stages of the innovation process. Therefore, it is of great importance to identify at the earliest possible time whether an innovation has a chance of success or not. For this purpose, the use of patent statistics is being generally accepted and referred to. Patents are considered as a part of the research and development phase, which belongs to the beginning of the innovation process. It is being assumed that patent indicators in this respect are a proper and useful tool, since they include not only technical but also economic information, and are already available at an early stage of the innovation process. The results of the analysis of the innovation success on the basis of patents can have a major impact on innovation management, business performance, and competitive advantage (Bock, 2006).

If considering the patents filed in Latvia in 2014 it makes up 27, out of which 13 grants have been gained. This is the highest rate among the Baltic countries (Lithuania – 10, Estonia – 8), but nevertheless, one of the lowest in the European Union. The highest amount of patents granted in the EU as of 2014 is Germany with 13086 out of 31647 filed (European

Patent Office, 2014). Using these figures as an indicator of innovation success demonstrates as well that innovation in Latvia is at a lower level and needs to be fostered.

As to the "Economic Development of Latvia 2014" report presented by the Ministry of Economics of Latvia, the growth of the national economy of Latvia is considerably impacted by the development of global economy and maintenance of stable competitiveness. According to the scenario of more rapid development, the growth in the key export markets of Latvia will be revived in 2015. Among other factors like technology and improvement of production efficiency, innovation is expected to benefit the competitiveness of the Latvian economy as well. Yet, cheap labour force and low price of resources are not supposed to influence the economy to a big extent. Pursuant to a number of in-depth analyses, low productivity and weak innovation performance form one of the main challenges to the Latvian industrial policy (NIP) actively addressed by the state (Ministry of Economics of the Republic of Latvia, 2014).

CONCLUSIONS AND SUGGESTIONS

The conducted survey enabled it to define the level of SI application within the framework of CI in Latvia. It should be noted that the results are better than expected. More than three quarters of the surveyed companies are aware of the essence of SI (77,5%) as well as conduct it (77,6%). Moreover, over three quarters of the managers (75,7%) evaluated the sustainability level of their companies as a remarkable one. From this it follows that being aware of SI and implementing it in the right way influences the sustainability of an enterprise in a positive way. These results enabled it to achieve the aim set at the beginning of the research, i.e. to prove that SI is the driving force for sustainability. However, a significantly lesser percentage of surveyed managers (58,7%) evaluated SI as an important factor for sustainability, thus, it is evident that the issue lies in the mindset, i.e. realizing that a sustainable success is considerably owed to SI. The necessity of more advanced and comprehensive application of SI is, hence, evident. Therefore, it would be important to extendedly present the essence and positive effects of SI.

Taking into account the fact that, nowadays, CI in Latvia did not reach the highest level of its expansion and are in the development stage, this conforms to the innovation level in the corresponding industries. It has been figured out that CI play the role of a driving force for innovations and economic competition. So, there is a close interdependence between SI and CI. In order to successfully implement directions towards SI introduction in CI companies, a focus should be set on the leadership activities and HRM team. These two factors are able to crucially impact on the SI development in Latvia.

For the implementation of SI a leadership team should distinctively communicate the company's commitment to the particular innovation and underline the logic behind it. To enable that, leadership has to provide clear and adequate signals concerning the significance of the activities and eradicate unnecessary ones. Hiring staff possessing creative capabilities and innovative traits as well as being able to produce diversity of ideas and commit to more innovation behaviors, the HRM team conduces to perspective SI processes. Having the potential to develop human capital, the HR management can facilitate creativity- and innovation-related attitudes, outlooks, and competencies of executives, team groups and separately taken employees by means of, for example, leadership trainings, promoter workshops, innovation coaching's or team developing measures.

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