HOW INNOVATION IS SUPPORTED IN ROMANIAN BUSINESS UNITS OF MULTINATIONAL ORGANIZATIONS: FINDINGS FROM EXPERT INTERVIEWS

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Abstract

This research investigates how innovation is perceived, structured, and implemented within Romanian business units of multinational corporations, focusing specifically on understanding strategic, governance, cultural, and process-related factors. Recognizing innovation as a crucial driver of organizational competitiveness, the study explores how effectively innovation practices are embedded within large multinational organizations operating locally. A qualitative research methodology was employed, utilizing semi-structured interviews conducted with senior leaders from selected multinational enterprises that meet predefined criteria, such as organizational size, local presence, and the likelihood of established innovation frameworks. Findings reveal a significant gap between the strategic acknowledgment of innovation's importance and its practical execution. Most organizations exhibit informal and intuitive approaches to innovation, hindered by limited understanding, short-term performance pressures, and lack of formal innovation governance. The study concludes that multinational corporations should prioritize formalizing innovation strategies and governance, nurturing innovation-friendly cultures, and providing robust methodologies to ensure sustained innovation capacity and competitive advantage.

Keywords: Corporate innovation, Governance, Process, Culture, Leadership.

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1. INTRODUCTION

Innovation has increasingly become a fundamental pillar of competitive advantage, critical for long-term sustainability and growth in the contemporary business environment. Within multinational corporations, the capacity to innovate is essential not only for adapting to evolving market dynamics but also for maintaining strategic leadership. Despite significant recognition of innovation's strategic importance, the practical implementation and internal structuring of innovation activities often vary considerably among different organizational contexts. This variability becomes particularly pronounced in multinational enterprises, where local business units must navigate between corporate mandates and regional operational realities. This research investigates the extent and nature of innovation practices within Romanian business units of

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multinational organizations. It seeks to understand how innovation is perceived, structured, and executed, emphasizing the role of strategy, governance, people, processes, and organizational culture. By drawing insights from qualitative interviews with senior executives and managers, this paper provides a nuanced examination of innovation realities within these organizational settings, highlighting both existing practices and critical gaps. The study thus contributes valuable insights into how multinational corporations operating in Romania can more effectively harness innovation for strategic advancement.

2. LITERATURE REVIEW

Innovation represents a critical driver of advancement and organizational development (Ahmed and Shepherd, 2010) manifesting through diverse forms and requiring specific internal capabilities to yield effective outcomes. Essential components that facilitate the successful development of innovative ideas include managerial support, effective team dynamics, allocation of necessary resources (human, material, and financial), strategic employee selection, and appropriate delegation of authority and responsibility (Lendel W., Moravcikova D., Latka M., 2017). Alharbi, I. et al (2019) in their review title "Organizational Innovation: A Review Paper similarly outline five critical domains conducive to innovation performance: strategy formulation, process optimization, supportive organizational contexts, establishment of effective external linkages, and fostering organizational learning. Aditionally Dobelin (2016) emphasizes the necessity for change and adaptability within specific organizational facets to facilitate innovation, particularly highlighting managerial processes and routines, effective implementation mechanisms for innovation, and leadership, along with creativity and continuous learning. Drawing on insights from multiple research studies investigating the fundamental conditions essential for delivering innovation, three overarching categories have emerged as central themes: Strategy and Governance, Process, and People and Culture. These areas collectively encompass the general conditions requisite for sustained and impactful innovation outcomes.

2.1 Strategy and governance

The traditional perspective on strategy emphasizes aligning internal capabilities with external opportunities, an approach demonstrated to be particularly effective in highly predictable environments (Ahmed and Shepherd, 2010). However, contemporary business contexts—characterized by rapid environmental changes, evolving customer expectations, and technological advancements—demand alternative strategic approaches, especially in scenarios marked by high volatility and uncertainty. Success today relies less on achieving a perfect alignment between internal competencies and external opportunities, and more on an

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organization's ability to anticipate and respond effectively to emerging market trends. Long-term organizational sustainability thus transitions from meticulous predictability and planning towards agile responsiveness and innovation-driven adaptability in the face of environmental disequilibria. Consequently, traditional methods of strategic planning should not be entirely supplanted by innovation-oriented strategies aimed at securing longer-term outcomes but rather complemented by them. In this context, Liedtka and Rosenblum (1996) advocate the inclusion of two additional strategic inquiries beyond conventional frameworks. The integration of these exploratory questions within strategic deliberations supports organizations in addressing both exploitative and explorative dimensions, enabling a comprehensive strategic posture that balances present efficiency with future adaptability and growth.

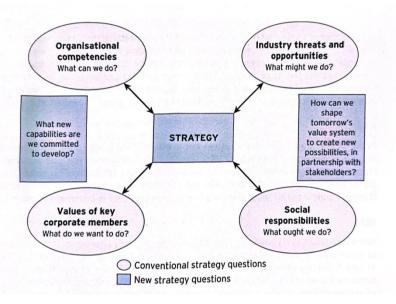


FIGURE 1. QUESTIONS DRIVING INNOVATION STRATEGY

Source: Adapted from Liedtka and Rosenblum, 1996. Extracted from Ahmed and Shepherd, 2010.

Numerous **strategic frameworks** employed by organizations to foster innovation have been extensively researched and documented in the literature. However, the objective of this study is not to provide an exhaustive documentation of these strategic typologies, but rather to acknowledge their recognized presence and relevance within innovative organizational contexts. The existing literature on innovation strategy predominantly addresses the innovation process—often described through an innovation funnel encompassing phases such as ideation, conceptualization, prototype or Minimum Viable Product (MVP) development, and validation—and distinguishes among various innovation types (product, service, marketing, social innovations, among others). Additionally, research frequently explores different actions, modes, or strategic profiles, including market-driven trends, open innovation, exploration versus exploitation, and proactive approaches (Lopez Fernandez D., Oliver M., 2025). Ali (2021), Nooshavadi J. E. et al. (2024) categorize innovation strategies into two dominant groups: exploitative strategies,

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emphasizing efficiency and incremental enhancements, and exploratory strategies aimed at generating novel ideas and new business models. Gaubinger et al. (2015) further identify four crucial innovation strategies: technology strategy, reflecting technology's central role in fostering innovation; product strategy, intended to satisfy evolving customer needs; process strategy, aligned with technological choices and product objectives; and timing strategy, strategically addressing the competitive implications of time-to-market considerations. Other scholars and innovation experts highlight the significance of open innovation, a paradigm where organizations leverage external knowledge sources and resources rather than solely relying on internal capabilities. Effective embedding of innovation within organizational practices necessitates its explicit integration into broader business strategies and commitment of adequate resources for execution.

Governance encompasses the mechanisms by which strategic initiatives are implemented within organizations, including leadership engagement, organizational structures dedicated to innovation, the processes for selecting and executing innovative ideas, as well as their measurement and reward systems. Importantly, governance frameworks must be designed to be future-proof—adaptable and responsive to evolving environmental dynamics (Deschamps, 2014). Deschamps (2014) highlights that effective innovation governance should be explicitly embraced by boards and senior management teams to ensure that innovation efforts consistently yield substantial and meaningful outcomes. Without structured and adaptive governance, innovation is unlikely to become reliably reproducible or consistently contribute to organizational performance.

The role of **senior leadership**, particularly the CEO and board of directors, has emerged as a critical factor in shaping innovation strategy. Research increasingly shows that boards are not merely fiduciary overseers but can serve as active enablers of strategic innovation. A study conducted at the University of Auckland (2023) found that firms with "innovation boards"—boards that include members with strong expertise in innovation and strategic foresight—are better equipped to guide innovation-intensive agendas. These boards help integrate long-term innovation priorities with short-term performance goals, offering support for risk-taking while ensuring alignment with broader corporate strategy. Complementing this, Pugliese et al. (2014) emphasize that board involvement in innovation is most effective when it moves beyond passive approval to active engagement in strategy formulation, resource allocation, and performance monitoring. Their research shows that CEOs who collaborate closely with strategically oriented boards are more likely to lead organizations that consistently pursue and realize innovative outcomes. This synergy between the CEO and board enhances organizational adaptability and responsiveness, especially in dynamic environments. Such findings underscore the importance of understanding how governance structures and leadership interactions influence innovation practices, a

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theme particularly relevant to multinational corporations operating in transitional economies such as Romania.

Despite the strategic importance of innovation in large organizations, measuring innovation remains a complex and contested process. A recent systematic literature review by Pacheco et al. (2024) underscores the absence of a unified framework for evaluating innovation performance, pointing to the wide variety of indicators and conceptual ambiguities across the literature. Traditional proxies such as R&D spending, patent counts, and new product introductions are frequently employed; however, these metrics often fail to capture non-technological and process-oriented innovations, such as organizational change or business model renewal. The authors emphasize that innovation is inherently multidimensional and context-dependent, which makes standardized measurement challenging. Moreover, many organizations struggle to assess innovation outcomes due to the lag between investment and impact, as well as the intangible and dynamic nature of innovation capabilities. The review concludes with a call for integrated, multidimensional measurement systems that align with firms' strategic goals, industry context, and innovation typologies. It also recommends combining quantitative indicators (e.g., R&D intensity, market performance) with qualitative assessments (e.g., employee creativity, culture of experimentation) to gain a more accurate and actionable picture of innovation performance. These insights are particularly relevant for multinational organizations operating in transitional economies, where innovation must be understood through both formalized metrics and localized organizational practices.

These challenges are further elaborated by Szopik-Depczyńska and Korczak (2023), who argue that innovation measurement must not only reflect outcomes but also capture the organizational processes and enabling conditions that foster innovation. Their research emphasizes that innovation should be assessed not just through final performance indicators—such as market share or product launches, but through internal dynamics, including leadership engagement, employee participation, and cross-functional collaboration. The authors advocate for a shift toward diagnostic measurement approaches, which enable organizations to understand where they stand in terms of innovation readiness and capacity, rather than relying solely on ex-post performance data. In conclusion, however difficult innovation metrics may be to ellaborate, companies should develop combine several dimensions of innovation effectiveness, capturing inputs, outputs, but also culture, lessons learned and market perceptions.

2.2 Processes and people

In the publication of ISO 56002 standard, the innovation process is described as seen in Figure 2, with most innovation methodologies (Design Thiking, Lean Startup, Agile, Outcome Driven Innovation) following a similar construct.

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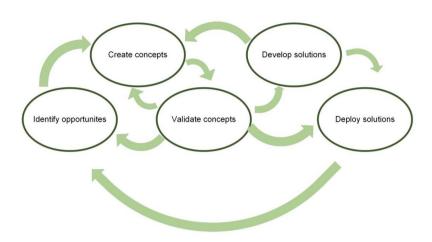


FIGURE 2. ISO 56002 STANDARD INNOVATION PROCESS

Source: Adaptation from Jansson and Kronvall, 2022

Another representation of an innovation process is proposed by Cooper (2000) and consists of 7 Gates as illustrated in Figure 3. Although the activities are linear some can take place in parallel and the team can always go back in the process to start over.

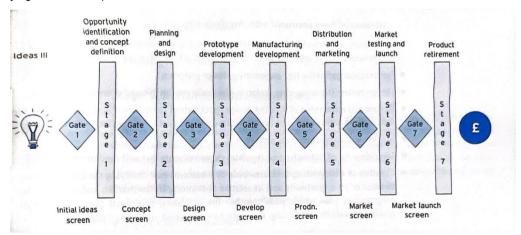


FIGURE 3. THE STAGE GATE ACTIVITIES MODEL
Source: Based on Cooper 2000. Adaptation from Ahmed and Shepherd, 2010

Due to the unpredictible nature of novel ideas, the innovation process is always developing in loops, teams having to return to their initial assumptions based on the findings discovered along the way. Many ideas don't make it to the prototype development Gate and very few cross the prototype development Gate into production. However, due to the nature of unpredictibility this is how innovation is supposed to take place. The process however provide an efficient way of search and identification of high potential ideas.

Process alone is not sufficient, and companies must also look for **new ways to organize team work**. Burns & Stalker (1961) made the argument that organic structures outperform mechanistic structures, in generating new innovations for the firm. However, mechanistic structures are more present in

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organizations, even today, in contrast to organic structures that tend to form ad-hoc for a limited period of time.

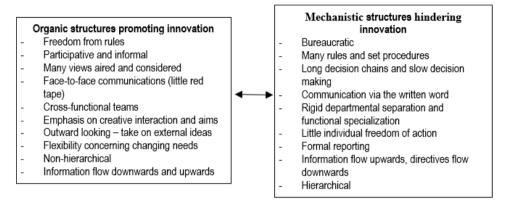


FIGURE 4. ORGANIC AND MECHANISTIC STRUCTURES INFLUENCING INNOVATION Source: Adaptation from Ahmed and Shepherd, 2010.

Organic structures are usually referred to as multi-disciplinary teams that can exist on a permament basis to drive innovation or are formed on an ad-hoc basis when an opportunity appears. This way to organize teams is supported by one of the foundational principles in contemporary innovation research which recognizes that diverse, multidisciplinary teams significantly enhance a firm's capacity to innovate. This perspective is powerfully articulated by Johansson (2006) in The Medici Effect, where he posits that innovation most often occurs at the "intersection" of different disciplines, cultures, and fields of knowledge. These intersections, Johansson argues, generate "explosions of remarkable ideas" due to the collision and recombination of previously unconnected concepts. Building on this view, West (1997) offers a psychological and organizational behavior framework to explain how team composition influences innovation outcomes. In Developing Creativity in Organizations, West argues that team diversity particularly in knowledge, skills, professional backgrounds, and perspectives—contributes significantly to the generation of creative and innovative solutions, provided that the team is well-managed. His research highlights that heterogeneous teams, when supported by appropriate leadership, a shared vision, and psychological safety, tend to outperform homogeneous teams in complex innovation tasks. This advantage stems from the broader repertoire of ideas, problem-solving heuristics, and experiential knowledge that diverse members bring to the group dynamic. However, West also cautions that diversity alone is insufficient. Without effective coordination and conflict management, the same differences that fuel innovation can also lead to dysfunction. Thus, the success of multidisciplinary collaboration hinges not merely on the presence of diversity, but on the cultivation of a team climate conducive to open dialogue, trust, and collective engagement.

Regarding **human resources**, a lack of adequate **skills** is identified as a major obstacle to innovation activities (Mohnen & Roler, 2005). Empirical research has established a direct, positive relationship

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between innovation-related expenditures and the presence of highly skilled employees within an organization (Falk & Hagsten, 2021). Ciriaci (2017) further substantiates this connection, highlighting that investment in employee training significantly enhances organizational innovativeness. Additionally, recent findings by Lee et al. (2025) emphasize the critical role of developing creativity and creative thinking capabilities as essential practices for organizations aiming to successfully leverage existing resources and simultaneously pursue new opportunities. This study also distinguishes between employees who naturally excel in convergent thinking and those who perform better in divergent thinking, asserting that both cognitive approaches are valuable and should coexist within innovative organizations.

Training initiatives related to innovation, encompassing both soft and technical skills, can only achieve optimal effectiveness when employees are receptive to new conditions and changes in working practices. Despite their necessity for enhancing innovation performance, such training and organizational adjustments could inadvertently hinder performance if implemented among employees who demonstrate resistance to change or lack personality traits conducive to innovation. It is essential that training programs become widely accessible to the whole organisation but keeping in mind that not all emplooyees will respond positively. Another way to introduce innovation trainings is through voluntary basis to facilitate self-selection among employees naturally inclined towards innovation. Drawing on studies by Amabile (1988), Barron and Harrington (1981), and Woodman (1990), the following personality traits have been identified as particularly desirable in fostering innovation within organizational contexts:

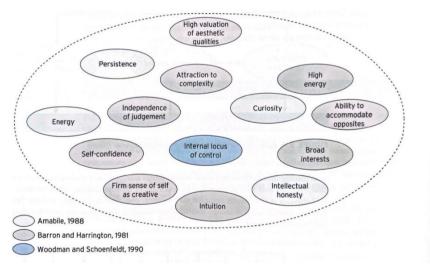


FIGURE 5. PERSONALITY TRAITS FOSTERING INNOVATION Source: Adaptation from Ahmed and Shepherd, 2010.

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2.3 Culture

Organizational culture is increasingly recognized as a critical enabler of innovation performance, influencing not only the generation of ideas but also their implementation across all levels of the enterprise. A study by Zaidoune (2020) underscores the role of cultural values in promoting both marketing and technological innovation in non-Western contexts, revealing that organizational culture directly affects the firm's innovation capacity and, consequently, its competitive positioning. Similarly, Wiese et al. (2024) find that a developmental and learning-oriented culture in Swiss companies significantly facilitates the adoption of Industry 4.0 technologies, illustrating that cultural adaptability is essential to innovation in technologically dynamic environments. Central to these cultural conditions is the concept of psychological safety, defined by Amy Edmondson (1999) as "a shared belief that the team is safe for interpersonal risk-taking." Her empirical studies, particularly in high-performance teams, demonstrate that psychological safety is a prerequisite for creativity and innovation, as it enables employees to voice novel ideas, admit mistakes, and challenge prevailing assumptions without fear of negative repercussions. In innovation-driven organizations, a culture that encourages openness, learning from failure, and cross-hierarchical collaboration is therefore not incidental but foundational to sustaining innovation performance. In addition to emphasizing psychological safety, Amy Edmondson (2011) draws a crucial distinction between failure and mistakes, offering a nuanced framework that is especially relevant for innovation-intensive environments. While mistakes are often seen as unintentional errors that result from carelessness or deviation from established procedures, failures in innovative contexts can arise from well-planned, thoughtfully executed experiments that simply do not produce the expected outcomes. Edmondson argues that such "intelligent failures" are not only acceptable but necessary for learning and innovation, particularly when organizations are engaging in novel or uncertain territory. Penalizing all failures equally can suppress experimentation and risk-taking—two conditions essential for breakthrough innovations. Instead, Edmondson suggests that organizations develop a taxonomy of failure, distinguishing between blameworthy errors (e.g., due to negligence) and praiseworthy failures that result from exploration and hypothesis-driven testing. In a culture of psychological safety, employees feel empowered to engage in such productive experimentation, knowing that failure, when properly framed, is a step toward learning rather than a threat to reputation. For large organizations aiming to cultivate sustainable innovation, developing structures and norms that support this distinction is vital, particularly in subsidiaries or business units where local leadership may interpret failure through more traditional or punitive lenses. A growing body of empirical research confirms that organizational culture is not merely a background variable but a central determinant of innovation performance. Büschgens, Bausch, and Balkin (2013), in their metaanalytic study, provide compelling evidence that specific cultural dimensions—such as openness to change, support for risk-taking, and tolerance of ambiguity—are consistently associated with higher levels

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of innovation outcomes. Their findings show that cultures fostering autonomy, flexibility, and participative decision-making are particularly effective in enhancing both incremental and radical innovation. Importantly, the study cautions against viewing culture as a one-size-fits-all construct; rather, the alignment between an organization's cultural values and its strategic innovation goals is key to achieving performance gains. This reinforces the insights of Edmondson (1999, 2011), who emphasizes the enabling role of psychological safety and intelligent failure in promoting learning and experimentation. Collectively, these studies suggest that for large organizations—and especially for multinational subsidiaries operating within diverse institutional contexts—embedding innovation-friendly cultural attributes is essential for translating strategic intent into innovative capability. As such, managing innovation culture becomes a strategic lever for sustained competitiveness and organizational adaptability.

3. RESEARCH METHODOLOGY

The research commenced with a thorough literature review to identify key attributes associated with innovative organizations, followed by a detailed analysis to understand the conditions under which these attributes optimally contribute to organizational success. An interview guide was then developed based on these identified attributes, facilitating qualitative discussions. For the interview cohort, leaders from international organizations were selected based on specific organizational criteria: company size, the probability of established internal innovation frameworks in regional offices, and having a business unit in Romania employing over 1,000 individuals. Leaders were selected according to their current job titles, professional experience, and their positions within the organizations. Interviews were conducted using a semi-structured format, which allowed the researcher to utilize predetermined questions while maintaining flexibility to pursue additional clarification or introduce new relevant topics as they emerged during discussions (Ghauri et al., 2020). Data organization involved initial steps such as transcription of interviews, systematic compilation of field notes, and categorization of gathered documents. These organized datasets formed the basis for subsequent in-depth analysis. The interpretation phase included synthesizing the collected data by linking emerging themes to the original research questions and theoretical framework underpinning the study. This phase involved critical insights and reflective assessments to elucidate the implications of the findings in relation to the study's objectives. The analytical approach entailed iterative reviews of the recorded interview material to achieve comprehensive understanding and to systematically classify participants' responses according to processes, strategic approaches, influencing factors, and employed methodologies. This manual analytic procedure facilitated

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the normalization of diverse responses and enabled the identification of prevalent themes, consistent trends, and recurring patterns without the reliance on specialized analytic software.

Strategy & Governance	What does innovation mean to you? How do you define it?
	How is innovation structured in your company?
	What autonomy does the innovation team / project team have?
	To whom does the innovation team report to?
	Is there interest or projects aimed at identifying new business models / developing disruptive products or services?
	Where do you see the biggest bottlenecks – at the level of mindset, processes, or resources?
	What role does leadership play in supporting innovation initiatives? Is there genuine commitment, or is it just nice rhetoric?
	How much autonomy do you have from the group to decide whether to innovate or not, as well as where and how much to innovate?
Process & people	Is there an innovation process you follow?
	Do you work alone or do you have help from a group / an external partner?
	What happens to an innovation project that is validated? For example, a new product / new service / CX process? How easily is it assimilated into the organization, and how is the handover done from the project team to the operational teams?
	How do you select the people involved in innovation projects / initiatives?
	How do you decide which ideas to fund and which initiatives to stop?
	Are there specific metrics for innovation initiatives, such as the number of
	experiments, customer interviews, insights learned, failures, etc.?
	Is the contribution of innovation measured in the organization's financial data?
	Are there performance indicators or executive bonuses linked to innovation within the company?
Culture	How would you describe the culture of your organization in connection with innovation?
	Does the organization encourage experimentation and risk-taking, or is failure punished?

FIGURE 6. INTERVIEW QUESTIONS Source: Author's research

4. FINDINGS

The findings from qualitative interviews reveal notable insights into the state of innovation practices within the evaluated organizations. Among the ten companies analyzed, only two demonstrated the existence of a formalized innovation structure. Although this finding should not be generalized due to the non-systematic selection of organizations, it provides a meaningful indication of the limited strategic emphasis placed on innovation within local business units. Companies demonstrated a lack of a clear and unified understanding of innovation. Definitions of innovation provided during interviews largely reflected individual perspectives rather than coherent organizational viewpoints. Generally, innovation was described in terms of market introduction of new products or services or enhancing profitability through novel methods. In eight out of ten cases, organizations lacked structured innovation processes. Initiatives typically emerged

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informally, often driven by personal relationships between executives or senior managers and the CEO rather than by explicit company policy. Leadership rarely played an active or directive role in promoting innovation, primarily because it was neither included in formal performance objectives nor mandated explicitly by parent companies. Significant barriers contributing to this passive stance included inadequate knowledge of innovation processes and an absence of clarity regarding the strategic value innovation could provide. Additionally, there was a predominant focus on immediate operational results, aligning performance assessments to short-term productivity metrics. Consequently, innovation was frequently perceived as an expense rather than a strategic investment, with dedicated time and resources for innovative activities seen as detrimental to immediate productivity. When innovation did occur, it was typically executed intuitively rather than through structured methodologies, predominantly manifesting as incremental improvements rather than adjacent or disruptive innovations. Initiatives commonly originated from specific problems or opportunities identified by senior management within a single department, lacking a multidisciplinary approach. Additionally, the absence of formal innovation metrics, strategies, and objectives underscored an overarching deficiency in structured innovation governance. Culturally, these organizations did not exhibit robust innovation-oriented cultures but rather displayed openness to experimentation driven primarily by individual initiative and executive courage. Not at all or only limited formal innovation trainings took place in the organizations, while skills such as critical thinking or creativity beying considered important, but not formalized through structured learning interventions. Contrastingly, the organizations with a formal innovation structure had clearly defined roles, including a dedicated innovation team with direct sponsorship and linkage to the board. Here, innovation activities were strategically aligned, guided by industry-specific methodologies, and assessed using well-defined KPIs. Nonetheless, even within this structured context, challenges persisted in scaling and integrating innovation projects into the broader organization. Innovation remained predominantly within the scope of the specialized team, often met with organizational skepticism, thus prolonging the integration and scaling phases of these initiatives.

5. CONCLUSIONS

The findings of this study indicate a notable disparity between the recognized strategic value of innovation and its practical execution within Romanian business units of multinational corporations. Although innovation is acknowledged as essential, formal innovation structures and clearly articulated innovation strategies are rarely implemented. Most initiatives arise informally and rely heavily on interpersonal relationships, particularly the support of top management and executives. Consequently, innovation

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activities typically remain incremental, intuitively driven, and narrowly scoped within single departments or business units. Significant barriers to fostering robust innovation capabilities include insufficient understanding of innovation processes among leadership teams, a prevailing focus on short-term financial performance, and a general perception of innovation as an expense rather than a strategic investment. Organizations that have successfully formalized innovation processes and governance demonstrate clearer alignment with strategic goals, structured methodologies, and measurable innovation metrics. Nevertheless, even these structured approaches have limited impact in the larger organization and encounter challenges, particularly regarding the integration and scaling of innovation projects across the broader organization. To overcome these challenges, multinational corporations should actively incorporate innovation into their strategic objectives and governance structures, ensuring clarity of roles, processes, and metrics. Additionally, cultivating a culture supportive of innovation, characterized by psychological safety, openness to experimentation, and tolerance for intelligent failures, is crucial. Future research should further explore the mechanisms by which multinational corporations can effectively transition informal innovation practices into robust, strategically integrated innovation ecosystems.

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