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Organizational Culture and Corporate Innovation

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Abstract

This paper examines corporate innovation with a view to determine its relationship with organizational culture. A critical review of extant literature suggests clearly that innovation matters and it is important for achieving competitive advantage in a highly competitive market. But in achieving corporate innovation, organizational culture plays a very significant role because innovation requires very different business conditions, skills, structures and processes. Previous studies have shown that corporate innovation is influenced either positively or negatively by organizational culture. While some constructs of organizational culture serve as impediments to corporate innovation, others serve as support to corporate innovation. It is therefore

recommended that for corporate innovation to thrive, managers should be extremely careful in keeping the right mix of cultural traits.

Key words: Organizational culture, corporate innovation, creativity

Introduction

An organization maintains a dynamic equilibrium. Therefore, it must maintain enough stability to function satisfactorily and yet not allow itself to become static, ultraconservative, or oblivious to the need to adapt to changing conditions.

Considerable attention has been focused on the need for organizations to adapt to changing conditions because they are open systems in constant interaction with their environments. Kast and Rosenzweig (1985) asserted that it is popular to emphasize the importance of change without recognizing the need for system maintenance and stability. A realistic view of organizational change recognizes that both stability and adaptation are essential to corporate growth and survival.

Organizations should be proactive rather than reactive in shaping their own future. This will allow them to initiate and influence rather than respond to change. Corporate innovation helps organizations to cope with change (Decoster, 2011; Coleman and Edey, 2012; Ekunah, 2008; Adebumi, 2006, Rotter, 1996). According to Terziovski (1999), corporate innovation is simply a radical or transformational change in an organization that results in a significantly different or new entity arising from an organization entering into venture systems, commercial arrangements or engaging in productive activities and processes that it had hitherto not been involved with. Robbins (1998) posits that corporate innovation is a planned and systematic attempt at efficiently and effectively expanding corporate growth, a form of radical re-invention, which is multidimensional, multi-level and discontinuous as opposed to some unorganized and continuous change. The need for innovation in the organization could arise when sources of supply go out of business or are becoming costly and

irregular, when distribution systems are inefficient, when expertise or competence is far ahead of what obtains in the industry (Jha et al, 2004; Jaja, 2000; Robbins, 1998).

Corporate innovation is not always an easy thing to achieve. According to Schon (1963) and Servo (1988) as cited by Iyayi, Akinmayowa and Enaini (2012), harnessing an idea and transforming its potentials into reality requires hard work, prudence, turning around the thinking of many people, laying claims to resources needed to fuel growth and usually, involves a prolonged battle amongst numerous people and requires tremendous stamina and evidence on the part of the champion. Stoner, Freeman and Gilbert, Jr (2007) are of the opinion that the forces that keep an organization stable restrain the process of corporate innovation. They identified these forces as organizational culture, individual self-interest and individual perceptions of organizational culture seems to be the most important factor resisting corporate innovation (Stoner et al, 2007). According to Kast and Rosenzweig (1985), organizational culture is the set of important values, beliefs and understanding that members share in common. It provides pattered ways of thinking, feelings and reacting that guide decision making and other activities of organizational participants. Pittigrew (2008) claimed that organizational culture includes enduring guidelines that shape behavior. It conveys a sense of identity for organization members; facilitates commitment to something larger than self; and enhances social system stability thereby restraining the process of innovation. Therefore, if the underlying concerns of organizational culture can be addressed by management, corporate innovation is rest assured.

Theoretical framework

Somewhat surprisingly, given the importance of innovation in organizations, there has been relatively little empirical work done in the area of organizational culture and creativity and innovation (Oldham and Cummings, 1996). The author conducted a search on the electronic catalogues of several major university libraries, a number of

journal indexes, and Google.com much of what has been written on the topic has appeared in the popular press and in books written for practitioners, with little apparent empirical evidence to back up the content of those books. The first scholarly article of some notoriety on the topic was written by Burns and Stalker (1961), who compared electronics firms with more established industrial enterprises and made the distinction between mechanistic and organic forms of organizing. Mechanistic organizations were characterized as hierarchical, highly structured organizations with well-defined, formal roles and positions relative to others in the organization, with communication flowing primarily vertically. Organic organizations, by contrast, were typified by their fluid organizational design, with departments and teams forming and reforming to address new problems and opportunities, with communication flowing primarily laterally. Burns and Stalker's environmental determinism view of organizations led to the conclusion that organic organizations form to deal with unpredictability and volatility in an organization's environment. Compared with a mechanistic organization, an organic one facilitated greater creativity and innovation. This conclusion was later challenged when Kimberly (1981) found that centralized decision making may enhance an organization's ability to implement innovations, particularly in a more stable environment. And whereas Burns and Stalker began a body of knowledge on creativity and innovation in organizations over the next several decades, relatively little of that research focused specifically on organizational culture or climate. Nonetheless, a few key scholars have done work in this area and their work is reviewed below.

Although the literature on organizational culture and creativity and innovation is not extensive, there have been some high-quality and influential pieces of research by a number of scholars. The author's search converged on the work of three scholars whose writing in the area of creativity/innovation and organizational culture has been prolific and whose work has been based on scholarly endeavours.

The work of Theresa M. Amabile

Amabile began her work at Brandeis University and is currently on faculty at Harvard University Business School. A prolific writer, in addition to her work on creativity and innovation, she has focused on behaviour in the context of the organization. This is true of her body of work in the area of creativity and innovation and her approach to researching these phenomena can generally, although not exclusively, be characterized as a psychometric, quantitative approach. For example, Amabile et al. (1996) have developed and validated an instrument called KEYS: Assessing the Climate for Creativity that was specifically aimed at assessing the work environment for creativity (recall the discussion above distinguishing between organizational climate and organizational culture). In fact, Amabile et al (1996) have identified only one other psychometric instrument designed for this purpose documented in the literature, and this author has found no evidence to the contrary. The Scale of Support of Innovation however, was validated on school teachers and students and so its utility in business organizations is uncertain.

The literature generally groups work factors affecting creativity and innovation into two categories that could be referred to as supports of and impediments to creativity and innovation. However, Amabile et al. (1996) pointed out that in most previous research on the work environment for creativity, there has been a bias toward creativity supports – work environment factors that appear to enhance creativity. There is comparatively little research evidence on creativity impediments – work environment factors that may undermine innovation.

Because both supports and impediments affect creativity, KEYS includes scales that assess both. Amabile et al. (1996) identified six support scales that they hypothesized would differentiate between high-creativity climates and low creativity climates, including (a) organizational encouragement, (b) supervisory encouragement (c) work group supports, (d) freedom (e) sufficient resources, and (f)

challenge. The scales identified as obstacles included workload pressure and organizational impediments. In a study to validate the instrument (Amabile et al, 1996), all scales showed a significant difference between high-and-low creativity projects, with sufficient resources and work load pressure showing less distinction, comparatively.

It is interesting to note that Amabile;s (1998) work has focused on three ingredients for creative output: (a) domain expertise, (b) creative-thinking skills, and (c) intrinsic motivation. In reviewing the scales included in KEYS, it appears that these factors are related almost exclusively to factors that have the potential to affect intrinsic motivation.

The Work of Rosabeth M. Kanter

Kanter is also at Harvard Business School and previously taught at Yale University. In contrast to Amabile's quantitative and psychometric approach, Kanter's stream of research in the area of innovation is based primarily on a qualitative, interpretive case study approach. The result of her research on innovation culminated in a book titled *Change Masters* (Kanter, 1988). This work was based on six studies involving more than 100 companies and in-depth case studies on 10 core companies utilizing highly qualitative and interpretative analysis drawing on multiple sources of data in each organization (Kanter, 1988). Although not every one of these studies focused on organizational culture, the conclusions certainly involve organizational culture and innovation. In particular, the study titled "whole company cases: Structure, culture, and change strategies" looked specifically at organizational culture.

As did Amabile, Kanter addressed both support and impediments to innovation. On the supports side, Kanter (1988) states that innovation is mostly likely to occur in organizations that (a) have integrative structures, (b) emphasizing diversity, (c) have multiple structural linkages inside and outside the organization, (d) have intersecting

territories, (e) have collective pride and faith in people's talent, and (f) emphasize collaboration and team work (p.383).

On the impediments' side, Kanter (1988) talks about a culture of segmentalism – “a culture and an attitude that make it unattractive and difficult for people in the organization to take initiative to solve problems and develop innovative solutions” (p. 101). Kanter even lists 10 Rules for shifting innovation: that focus on control of action, decisions, and information, hierarchical structures, and lack of supervisor support or encouragement. “The highest proportion of entrepreneurial accomplishment is found in the companies that are least segmented and segmentalist, companies that instead have integrative structures and cultures emphasizing pride, commitment, collaboration, and teamwork” (p. 178). Although these characteristics may lead an organization to be perceived as more political in the sense that managers will have to capture support and power for their ideas through persistence and persuasive arguments (Kanter, 1998, p.179), it also may be perceived as more civil in the sense that support is gained through persistent and persuasive arguments and open communication rather than backstabbing.

Minnesota innovation research programme: Van de Ven, Angle, and Poole

One of the most ambitious research programme ever done in the area of innovation and creativity was the Minnesota Innovation Research Programme led by Can De Ven, Angle, and Poole (1989) at the University of Minnesota. Although only one of the chapters in the book reporting on the research is focused explicitly on elements of organizational culture, the scope and depth of the research has had a significant impact on the innovation body of knowledge. Angel's (1989) chapter on psychology and organizational innovation is supported by the data collected in the large research programme and contributes the most to the topic of organizational cultural and innovation, not so much in that it provides a lot of empirical results but rather because it draws on a fairly extensive review of the

literature and lays out a research agenda inclusively of proportions on the relationship among variables important to organizational, culture and innovation.

Angle (1989), first reviewed the literature related to how motivation is important for creativity and innovation, noting that intrinsic motivation for creativity is much more powerful in producing creative behavior than extrinsic motivation. Angle went on to discuss enabling factor in the organization, enlighten the importance of information flows in the organization. Information flows are dependent, to a certain degree, on organizational climate and culture. Expectations about the importance of communicating, the vehicle available for communicating, and the cues within the environment regarding with whom to communicate can determine how communication will influence innovation .In the Minnesota Innovation Survey (MIS) data, “innovation effectiveness was found to be related both to communication frequency within the innovation teams ($r = .17, p < .03$) and communication frequency outside teams ($r = .19, p < .02$)” (Angle, 1989, p. 144). However, somewhat surprisingly, however MIS data also showed the lack of a relationship between innovation, effectiveness and communication with customers ($r = .09 - p < .23$) and vendors ($r = .12 - p < .12$). This data contradicted previous research (Utterbach, 1971). Angle (1989) concluded that what is important is not necessarily that the communication and information sharing take place within or outside the organization, but rather the frequency of communication among persons with dissimilar frames of reference with the thoughts being that an exchange of ideas from different point of view will generate new, creative ideas.

Also particularly relevant to creativity / innovation and its relationship to an organizational climate/culture is the concept of an organic organization. By definition, an organic organization supports open communication flows, power on the basis of experts instead of positions, and decision – making authority is decentralized (Angle, 1989). Angle concluded that an organic organization (as opposed to a mechanistic one) enables greater organizational innovation in

environments of dynamic change. Kimberly (1981) found that in relatively stable environment, formalization and centralization of decision making can lead to freeing up time for employees to focus on more creative/innovative endeavours.

While Angle's (1989) article is valuable in that synthesizes a large body of literature posits a number of thoughtful hypothesis related to innovation and psychological aspects of the phenomenon, its application to the present chapter is limited in that it stops short in creating an explicit and compelling link between the conditions that are associated with greater innovation effectiveness and organizational climate / culture.

The work of Tesluk et al.

The study conducted by Tesluk, Farr, and Klell (1997) focused on how organizational culture and climate influenced creativity at the individual level. Drawing on the work of the scholars described above, among others Tesluk et al.(1997) identified five dimensions of organizational climate that influence creativity, including goal emphasis, means emphasis, reward orientation, task support, and socio-emotional support.

Goal emphasis is “the extent at which goals for creativity and innovation and the standards for achieving those goals are made known to employees” (Tesluk et al., 1997, p. 34). When it is clearly communicated in an organization that creativity and innovation are valued goals, there is a greater likelihood that individuals will engage in more creative behavior (Tesluk et al., 1997). Clarity about goals frees up employees to focus their attention on solving problems and generating ideas rather than spending time and energy on trying to determine what goals should receive focus.

Means emphasis is “the extent that methods and procedures for creativity and innovation are conveyed to employees” (Tesluk et al, 1997, p. 34). If management is able to convey through its actions and words that it values challenging existing norms, active risk taking,

sharing of information, and open debate, employees are more likely to engage in those behaviours.

Reward orientation is “the extent that rewards and evaluations are allocated on the basis of creativity and innovative results” (Tesluk et al., 1997, p. 34). The acknowledged sensitivity here is to ensure that the reward and recognition system encourages or enables intrinsic motivation (or equally 234 *Advances in Developing Human Resources* May 2005 doesn’t impede intrinsic motivation) by focusing too much on extrinsic rewards.

Task support is “the extent that employees believe that they are being supported by allocations of the time, funding, equipment, materials, and services necessary to function creatively and to implement new ideas, projects and solutions” (Tesluk et al., 1997, p. 34). Task support may be thought of simply as the organization providing the tools and resources for employees to carry out the work of creativity and innovation. For example, it would be difficult for a scientist to test a new hypothesis without the proper lab equipment or without the time to conduct experiments.

Finally, *socio-emotional support* is “the extent that employees believe that the work environment provides the interpersonal support necessary to feel free to function creatively” (Tesluk et al., 1997, p. 34). When employees perceive that an organization has their welfare and best interest in mind, when an environment of open debate and discussion is in place, and when trust exists among employees, especially with management, employees can feel more open to take risks and put forth creative ideas.

Tushman and O’Reily (1997) point out that, successful organizations have the capacity to absorb innovation into the organizational culture and management processes and that organizational culture lies at the heart of organizational innovation. Kenny and Reedy (2007) emphasize that organizational culture affects the extent to which creative solutions are encouraged, supported and implemented. Martins and Terblanche (2003) explain that a culture supportive of

creativity encourages innovative ways of representing problems and finding solutions. Unlike operations where the activities are formalized and pre-specified, innovation is a non-routine activity where there is a fair amount of uncertainty around the tasks to be performed. Organizational culture in absence of laid down rules of the game, can both hinder creativity as well as stimulate innovation. Russel (1989) takes the view that as entrepreneurial organizations grow through the successful application of creative ideas, they experience a “crises of leadership”. Increase in number of employees makes it rather difficult for an entrepreneur to manage efficiently through informal communication channels. Innovation is a highly complex social process which requires the effective interaction of a large number of individuals and sub-units within the innovating organization. There is thus need to provide directive leadership through professional managers. Besides, innovation by definition deals with uncertain problems. In such an environment, structural solutions such as formalized procedures are often ineffective. Russel (1989), explains that culture supports innovation by creating an organizational climate which institutionalizes innovation as an important activity and further, by focusing attention on and legitimate innovation, a supportive culture helps to motivate and sustain the complex, interactive process of social exchange necessary for successful innovation. Yeung, Brockbank and Ulrich (1991) refer that organizational culture is important as a vehicle for implementing organizational change. King (1990) points out that though not all organizational change involves innovation, all organizational innovation involves change. Christensen (1997) suggests that an organization’s resources, processes and values (its culture) contribute to its ability to adopt innovations. Kanter (1988) stresses the importance of a “pro-innovation” culture.

It is evident that not all cultures prevailing in the organization would facilitate the innovation process and thereby building the innovative competency within the organization. Researchers like Ouchi (1981), Peters and Waterman (1982) note that within the same national culture

context some organization level cultural dimensions are essentially important for sustained competitiveness in the market.

Others who have studies relationship between culture and innovation include, Raelin (1987), Abey and Dickson (1983), Jones and James (1979), Pritchard and Karsick (1973). Oldham and Cummings (1996), and Convey and MacMakin (1997) also suggest the presence of a relationship. Kotter and Heskett (1992) record that only a few empirical studies on the impact of organizational culture on organizational innovation exist. Angle (1989), Kimberly (1981), Kanter (1988), Tesluk et al (1997) support these claims.

Besides, most of these studies concern large organizations positioned in developed economies. Robert et al (1989) make an important observation that organizations in developing economies are not necessarily less capable of implementing advanced technologies. However, it is also true that these organizations have their own environment and limitations not found in organizations of developed economies and it requires an investigation if the research findings are equally applicable in developing economies.

Managerial implications of the study

It is to be noted that contemporary strategic management practices warrants more proactive approach in order to withstand the current violently competitive business environment. This paper prescribes adapting business practices in the light of one's internal strengths and weaknesses and opportunities and threats of the external environment. In the present context, the opportunity is much short-lived. Invasion of the international market by countries like China with gigantic economy of scale in production has made the battle in low cost markets virtually a losing proposition. As a result new ideas, new strategies, new processes, new practices are in high demand. Fast changing trends and short product life cycles have pressurized manufacturers for continuous innovation in line with the changes taking place in the external environment.

A firm's innovativeness is only one aspect of a business operation. Other culture traits may have different significant roles in determining other facets of the organization. Managers should therefore be extremely careful in keeping the right mix of culture characteristics in order to optimize the overall operation and performance of the firm. This paper has provided the platform for organizations to identify specific cultural traits they need to develop for better performance in innovation.

Conclusion and recommendations

Successful organizations are generally effective in responding to evolutionary changes in business environment particularly the market. Where the organizations run into troubles is in handling or initiating revolutionary changes or in dealing with disruptive technologies. In order to achieve long term growth, organizations need novel replacements, new products or breakthrough products. Moreso, if an organization is looking for growth levels that are significantly larger than the growth of the industry, then it must take innovation seriously. Innovation involves the adoption of new product, processes and strategy to increase competitiveness and overall profitability.

Although there are many dimensions that influence corporate innovation, for example, national systems, knowledge flows and labour market, existing theories in the broad field of innovation management suggest that organizational culture affects the propensity of an organization to be innovative. Organizational culture is what organizational members learn over a period of time as they solve problems of survival. It is the pattern of basic assumptions that have been evolved, discovered or developed by a given group as it learns to cope with its problems of external adaptation and internal integration.

A review of related literature revealed the influence of organizational culture on corporate innovation. Successful organizations have the capacity to absorb innovation into the organizational culture and that organizational culture lies at the heart of organizational innovation. Organizational culture affects the extent to which innovative ideas are

encouraged, supported and implemented. Organizational culture in absence of laid down rules of the game can both hinder creativity as well as stimulate innovation.

It has equally been argued that organizational culture supports innovation by creating an organizational climate which institutionalizes innovation as an important activity and further, by focusing attention on and legitimate innovation, a supportive culture helps to motivate and sustain the complex, interactive process of social exchange necessary for successful innovation. Organization's resources, processes and values (its culture) contribute to its ability to adopt innovations. It is evident that not all the cultures prevailing in the organization would facilitate the innovation process and thereby building the innovative competency within the organization. In a nutshell, values, behaviour, relationships, technology, structure, procedure, and goals and objectives are components of organizational culture that affect corporate innovations. It is therefore recommended that for corporate innovation to thrive, managers should be extremely careful in keeping the right mix of cultural traits.

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