

THE IMPORTANCE OF ORGANIZATIONAL CULTURE FOR INNOVATION IN THE COMPANY

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Abstract

The relationship of organizational culture and innovation has been subject to different research over the last years. The multitude of cultural variables under investigation has led to a fragmented concept of culture for innovation. Further, managerial practice requires an underlying structure in order to decide what culture should be implemented in order to innovate and to assess if a specific culture is an effective and efficient coordination instrument. The purpose of this article is to identify the elements of organizational culture in companies implementing innovation and to attempt to present its model. The paper presents the findings of the research conducted in Polish companies operating in the Province of Silesia.

Key words: organizational culture, innovation, determinants and barriers to innovation, innovation-oriented culture

Introduction

Both in literature and in research a lot of attention is paid to identifying sources of innovation, as well as the determinants and barriers to innovation. The prerequisites of innovation include the resources directly affecting innovation: human capital (in particular its competences, including the level of education and qualifications, knowledge and skills of employees, research staff, as well as leadership skills of managers and continuity of management guaranteeing the long-term character of innovation processes), accumulated knowledge (measured by expenditure on research), material and financial resources (machinery, equipment, buildings, licenses and patents), organizational resources (including the size of the company, which is associated with motivation and dynamics of innovation) (Balcerowicz,

Wziątek-Kubiak, 2009: 17; Francik, Pocztowski, 1991: 27). Undoubtedly, however, a human factor plays a very significant role in the innovation process: personality of managers managing teams of employees, willingness and motivation of managers to take risks, the attitude of employees, and what the employee – employer interactions consist of, i.e. organizational culture. According to West (2000: 90), organizational culture crucially prevents or facilitates the implementation and maintenance of innovation in the organization. According to Maher (2014), organizational culture is a major factor which affects the speed and frequency of innovation.

1. Organizational culture

It is a difficult task to define the concept of “organizational culture”. Definitions take different shapes depending on the concept they reflect, their authors’ approaches and emphases. Research and practical experience of the 1980s revealed two different approaches to defining corporate culture. In the first one, culture is treated as an internal subsystem of the organization, allowing individuals to adapt to the environment. In this approach, the company has a culture. This approach is descriptive and it is often sufficient to make a list of some features of company “personality”. In the second approach, the company is treated as a culture, i.e., a system of knowledge that each of its members can interpret through their mind. This approach allows access to the dynamics of the social system in all its complexity, and then it leads to the concept of corporate identity (Steinman, Schreyogg, 1992: 319; Strategor, 1995: 512). Ouchi defines organizational culture as a set of symbols, ceremonies and myths that enable participants to understand their underlying organizational assumptions and values (Koźmiński, Obłój, 1989: 202). Koźmiński defines organizational culture as a sort of genetic code of the community, which is in the social awareness and which causes repeatability of both individual and collective behaviours, images, emotions and attitudes. According to Weis and Wiest, corporate culture is a system of values, norms and symbols typical for a company, which develop over a long time, and its result is the establishment of best practices for the entire social group and the specific hierarchy of values. Zbiegień-Maciąg defines organizational culture as a way of perceiving, thinking, feeling, reacting shared by company employees, which is often deeply hidden in human minds, and even unnoticed. It highlights what is common, what integrates, unites, stabilizes, and thus reduces uncertainty. This is a product of coexistence, interaction, cooperation of all employees (Zbiegień-Maciąg, 1994: 18). A definition of organizational culture which has been widely adopted by researchers dealing with this area of knowledge was formulated by

E. Schein. In his opinion, culture is the entire fundamental assumptions that a given group has invented, discovered or developed while learning to solve problems of adaptation to the environment and internal integration. These assumptions have been proved by the practice to such an extent that they can be considered as relevant and true so they can be instilled in each new member of the group as a correct method of feeling and perception, the correct way of thinking about the problems of teamwork (Strategor, 1995: 512). Common elements can be found in all of these definitions. They highlight the assumptions, norms and values of the participants and the resulting ways of action or behaviour. It is a kind of mental community understood as the basis of the entire organizing activity and underlying the specific tasks that the organization has to complete.

In order to ensure company development it is necessary for managers to be enterprising and continuously interested in innovation activity of a diverse nature, from the groundbreaking and pioneering innovations to minor modernization that bring measurable effects (Flaszewska, Szymanska, 2013: 261). Organisations that want to be innovative must transform their organizational culture so that it has pro-innovative character.

Loewe, Dominiquini (2006: 24-25) believe that organizational culture and values are one of the four – in addition to leadership behaviours, management processes, people and skills – key areas for effective implementation of innovation. On the basis of these areas, sustainable internal competence is built for innovation as a continuous process, not incidental, short-term effort (Figure 1).

Figure 1. Key areas of a systemic innovation capability.



Source: Loewe, Dominiquini, 2006: 26.

Organizational culture can effectively promote or inhibit cooperation, exchange of knowledge, experience and ideas. Open culture, promoting the participation of all team members in the creative process, is favourable to the activity and initiative of employees, while culture based on strong control is definitely not conducive to creativity and innovation. Cultures aimed at developing innovation and creating suitable conditions for doing so are characterized by dynamism, flexibility, fast adaptation to changing conditions, and non-stereotypical solutions. A key to the development of innovation in an organization is support, and encouragement for every employee to seek and discover unconventional, non-standard ways of achieving objectives and performing tasks. Thanks to the participation, an employee has greater responsibility, but also bigger motivation (he/she is not only the “robot”, an individual carrying out a superior’s order). However, it is necessary to create an environment giving a sense of security, lack of fear, both of criticism and “theft” of the idea by co-workers, and a transparent incentive system taking into account the initiative of employees and rewarding for their active participation in the innovation process, while allowing and accepting impractical solutions, mistakes and risk associated with them. The efficient flow of information is also important- understanding the reasons for and benefits of the changes by all sides involved is necessary for their effective implementation. Personality of team managers, who initiate new projects, or give the “green light” to the initiatives submitted by employees, is also significant (Brouwer, 2002: 83-105; Schumpeter, 2002; Szczepańska-Woszczyńska, 2014:13). Excessive formalization and bureaucratization of processes, as well as extensive control structures are not conducive to innovation. They both delay the decision-making processes, and inhibit the creativity of employees (Fabrowska, 2010, 44-45; Loewe, Dominiquini, 2006: 26-28; Januszevska, 56).

Organizational culture plays an important role in organisations, regulating the behaviour of participants, and in extreme cases – of the organisation as a whole. If the organisation works in a similar and stabilized manner for some time, achieving goals and successes, its participants (or at least widely understood management staff) learn certain patterns of behaviour, accept standards that consistently reinforce further successes. So organizational culture is formed as “idealization of common experience.” It primarily fulfills a function of the social stabilizing factor, integration and coordination mechanism, which ensures social balance (mainly internal), and, at least partially, external – the material balance of the organisation. At the same time the main norms of culture focus on integration of both participants and the relationship between the organisation and its environment. This is reflected in the emphasis on the product quality, respect for the rights of the

consumer, and protection of the environment. In this way, organizational culture also creates a basis for the conceptualization of the external balance of the organisation, determining the model of the desired relationship between the organisation and its environment and how to maintain it.

2. The impact of culture on company innovation

An element of the company's organizational culture is an innovation-oriented culture, which consists of: innovation-oriented motivation, innovative competence, behaviour in the innovative situation, as well as the style and quality of management determining the climate for innovation. The innovation-oriented culture may be defined as the need for the maximum number of innovative ideas to appear within a certain period. Innovative culture is a way of thinking and behaving that creates, develops and establishes values and attitudes within a firm, which may in turn raise, accept and support ideas and changes involving an improvement in the functioning and efficiency of the firm, even though such changes may mean a conflict with conventional and traditional behaviour. In order to build innovative culture certain requirements must be met, involving six kinds of attitudes: the ability of managers to take risks, encouraging creativity, participation of all employees in building innovation-oriented culture, responsibility of both managers and employees for their actions, allowing employees to develop their interests and use their unique talents, developing the company's mission, which the employees will identify with; providing employees with a sense that their work is meaningful and has a positive impact on the achievement of objectives (Claver, 1998: 60).

Maier has identified seven key dimensions of culture that distinguish highly innovative organisations (Figure 2). These form a framework which leaders can use to assess and strengthen the culture for innovation within and across organisations:

- employees should have a sense that they can try out new ideas without fear that an ill-advised idea will entail negative consequences; leaders of innovative organisations should be more interested in learning “by mistakes” rather than punishing employees for ill-advised ideas – it is better when mistakes are made when an idea is implemented, rather than when there are no mistakes because there are no ideas.
- a positive approach to innovation is greater if employees know that they have the support of superiors and independence in action while they develop innovative ideas, as well as that they can make use of financial resources to support the innovation processes;

- knowledge is the primary resource for innovation; you can create better conditions for innovation, where information from both inside and outside the organisation is widely and systematically collected, easily and quickly accessible and clearly communicated;
- as the relevant literature shows, objectives may actually promote innovation; leaders of the organisation should give a clear signal that innovation is highly desirable, by setting ambitious goals in different areas and establishing motivated teams to find ways to implement the vision;
- the support for innovation is the symbols and rituals, whose main objective is to identify innovative behaviour and an incentive for this type of behaviour is such symbols and rituals that refer to internal and individualized motivation of individual employees;
- in organisations with high innovation-based effectiveness, innovation is a product of the intended use of practical tools; leaders must consider how to build potential and capability in employees that are aware of methods of creative thinking, management and implementation of ideas;
- a dimension of the relationship, which refers to the models of interaction within the organisation; innovative ideas are rarely the product of a lone genius, therefore building a collaborative environment, accepting different ways of thinking, different viewpoints and diversity provide a good basis for the growth of innovation.

Figure 2. Dimensions of innovation culture



Source: Maher 2014.

Organizational culture that supports innovation is also characterized by the level of education and general management, economic and social knowledge, efficient systems of communication in the organisation, ambition and the atmosphere of competition, incentive schemes, free exchange of innovative ideas proposals (ideas), a lack of arrogance and egoistic attitudes, announcing authors of success and those who assisted in this process (Perenc, Holub-Ivan, 2011). The characteristics of pro-innovation organizational culture include: creating a climate that would be favourable to organizational changes, developing knowledge and skills and sharing knowledge, tolerance for risk, uncertainty and novelty, implementing democratic principles of decision-making and conflict solving, supporting group activities, building an atmosphere of recognition and respect for innovators, supporting creative thinking and problem solving (Gadomska-Lila, 2010: 14). Excellence in leading innovation has everything to do with how that leader creates a culture where innovation and creativity thrives in every corner. The things that leaders must do to foster innovation are: **focus on outcomes, develop reciprocal trust, challenge the status quo, be inspiring** (Edinger, 2012).

3. Elements of organisational culture that stimulates creativity and innovation

3.1. Objectives and research sample

The aim of the study was to investigate the internal determinants of innovation activity in the companies surveyed, in particular an innovative climate and culture favourable to innovation. The quantitative sample of analysing the internal determinants of innovation activity in companies contains 120 employees – representatives of companies located in the Province of Silesia in Poland. Distribution of the sample is shown in Table 1.

Table 1. Distribution of the sample (%)

Gender		Age		Seniority		
Woman	63,3	Below 25 years	21,7	Up to 5 years	28,3	
		25-30 years	23,3	5-10 years	31,7	
Man	36,7	31-40 years	41,7	11-20 years	25,0	
		41-50 years	10,0	Over 20 years	15,0	
		Over 50 years	3,3			
Position		Company				
Non-managerial position (e.g. a specialist)	51,7	Micro company (up to 9 people)				13,3
Operational manager	16,7	Small enterprise (from 10 to 50 people)				11,7
Middle manager	20,0	Medium-sized enterprise (from 51 to 250 people)				31,7
Senior manager	11,7	Large enterprise (over 250 people)				43,3

Source: own study.

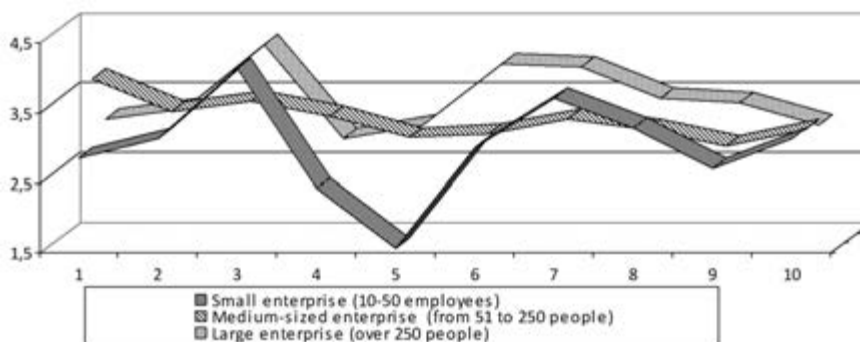
The research was conducted by means of a direct survey. The instrument of data collection was questionnaires. A questionnaire consisting of 10 questions with a mixture of Likert-scale and closed-ended questions with one answer was developed. A five-point Likert scale was employed to gather responses, 5 indicating “maximum agreement” and 1 “no agreement”. The survey was sample-based. Non-random sampling was applied and advantages and disadvantages specific to this method of sampling were considered. A small group of those surveyed does not authorize to make generalizations, but allows the identification of the specific mechanisms and formulation of questions and conclusions. Tested on a larger sample, they will make it possible to formulate more documented and certain, useful theses on a larger scale. The data was collected in April and May 2014. The data was first analysed using basic statistical techniques. Data analysis was accomplished using IBM SPSS Statistics 21.

3.2. Elements of innovation-oriented culture

Various elements of organizational climate which were considered significant included freedom of expressing their opinions by employees, a possibility to propose and support new ideas, collaboration between employees of different organizational units. The ratings of respondents involved in innovation processes indicate that an approach to innovative behaviours of employees can be varied depending on the size of the company – the individual elements constituting the innovative climate in companies were rated differently (Figure 3).

Certain similarities were observed in small and large companies, though probably conditions of these ratings differed: in small businesses they resulted from low formalization of procedures and rather friendly relationship between employees and superiors characteristic of small teams, while in large companies from the processes of identifying innovative ideas. In large and small companies, every employee has the right to express their own opinions, the final decision, however, is taken by managers, employees from different organizational units cooperate (formally or informally), employees can propose new ideas regardless of their level in the organisation hierarchy. In medium-sized enterprises surveyed, employees cannot make improvements themselves, even in trivial matters they need to contact managers, although they have the right to express their own opinions.

Figure 3. Elements of the innovative climate



- 1 – Even in the most trivial matters employees need to contact the organisation managers.
- 2 – Employees have a right to question the ideas of their superiors.
- 3 – Each employee may express own opinion, but it is a manager who takes a final decision.
- 4 – People who have courage to express their own opinions are appreciated in the company.
- 5 – Employees can question even decisions key to the organization in the presence of their superiors.
- 6 – Employees from all departments cooperate with each other (formally or informally).
- 7 – Employees of all levels can propose new ideas.
- 8 – New ideas proposed by employees are supported in the organization.
- 9 – Organization management sees signs of innovativeness of their employees.
- 10 – Employees solve the problems they face independently.

Source: own study.

A key to the development of innovation in an organization is support and encouragement for every employee to seek and discover non-conventional, non-standard ways of achieving the objectives and performing tasks. 43,3% of the respondents believe that the organization supports the new ideas of employees (the opinion most often expressed by employees in large enterprises (50,0%) and medium-sized enterprises (33,3%). Negative opinions were expressed by employees in medium-sized enterprises (57,1%).

As the literature studies show, an element of innovation-oriented culture is the appropriate organization of work and working conditions encouraging employees to be creative. In the companies surveyed they appreciate the appropriate range of responsibilities and allocation of activities of employees (61,7% of the respondents, especially small company employees), access to facilities and social benefits (very highly and highly rated by 58,3%

of the respondents), the right equipment at the workstation (46,6%). Large companies take the best care of appropriate equipment at the workstations, employees' access to facilities and social benefits, systems evaluating work and rewarding for extra work and proposing/implementing improvements. Employees of these companies are most supported by their employers to make the best use of their intellectual qualities. Access to social facilities and systems evaluating work are rated at the lowest level in the medium-sized companies.

A significant feature of innovation-oriented culture is change. Employees are willing to take risks that change entails, which may be related to, for example, changing jobs. Adjustment processes also include employment, implying the need for its flexibility. At the same time it should be noted that in times of high unemployment, stabilization of employment (a secure work contract) may be a more important motivating factor to work. Each innovation may be a threat to employees because it violates the current state of balance, which can lead to employees' reluctance to implement innovation and even boycott and sabotage change. Among the respondents, 10% feel threatened by risks arising from the implementation of innovation in the company, fearing the change in the scope of their duties, redundancies, reorganization or new responsibilities. Almost every second respondent (43,3%) felt the danger in a moderate degree, which indicates that the implementation of innovation in the company may violate balance felt by employees, therefore it requires neutralizing activities. Employees who feel the threat are mostly employees of large companies (66,7%), the others are employees of medium-sized companies. The smaller the company, the smaller feeling of danger arising from change. Such a situation may be due to the fact that employees in smaller companies are often more "versatile" and perform the tasks assigned to different positions, and therefore their loss is more severe for the company. In a large company flexibility is greater also in the personal dimension, which results in the alternation of organizational roles and mutual substitutability of employees at different positions.

As regards the companies the respondents were associated with, one can speak of an integrated management style (a huge emphasis on tasks and interpersonal relationships – in the opinion of 79,2% of the respondents). Managers focus on both the technical process and performance, as well as on employees, instilling enthusiasm for work in them, helping them to meet the challenges, trying to find the difficulties at work and outside, taking care of their development, which leads to increased productivity. Managers believe that people are willing and able to work well. They engage them suitably to their capabilities, ensuring them satisfaction from tasks they

perform. They try to involve everyone in the process of planning tasks, the implementation of which they will be engaged in.

Assessing the role of managers and operational staff in the innovation processes, the respondents divided the tasks in the following way:

- the role of the manager is to: stimulate/trigger innovation of employees (4,30), control the innovation process (4,27), motivate others to be creative (4,19), lead in the implementation of innovative processes (4,07), organize the various stages and conduct the process of specific innovation implementation (4,07), plan and initiate the innovation process (4,04),
- the role of both managers and employees to the same extent is to: build, create an innovation-oriented culture (an innovative “climate”) (3,76),
- the role of employees is to search for sources of innovation (3,40).

Conclusions

Thinking about the implementation of innovation, companies generally focus on resources, processes and measurement of success, i.e. the easily measurable elements. Companies often devote much less attention to people-oriented determinants of the culture of innovation, which are more difficult to measure, such as values, behaviours and organizational climate. Although everything that refers to values and behaviours of people and climate in the workplace is more elusive and difficult to control, these “difficult, people-related issues “ (as one of the presidents said) have the greatest power to shape the innovation-oriented culture and create sustainable competitive advantage.

Organizational culture may be an element favourable to the development of innovative activity. It is extremely important to appropriately shape the pro-innovation organizational culture from the point of view of competitiveness of each company because innovation is often the element that determines the competitive position in the market.

As regards the companies the respondents were associated with, one single universal model of organizational culture cannot be determined. However, the elements constituting a culture that supports innovation have been specified. They occur in most companies, with varying intensity, namely:

- the management style emphasising tasks and interpersonal relationships,
- a significant role of managers in stimulating innovation and triggering innovation of employees
- motivating employees to be creative

- a low level of sense of danger felt by employees, arising from changes implemented in the company,
- proper organization of work and working conditions aimed to stimulate employees' creativity
- support for new concepts and ideas,
- a possibility to express their opinion freely by employees, to propose and support new ideas, cooperation of employees from different organizational units.

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