

ORGANIZATIONAL CULTURE AND INNOVATION: AN EMPIRICAL INVESTIGATION

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DOI: <https://doi.org/10.5281/zenodo.10439019>

Published Date: 28-December-2023

Abstract: This research paper wants to explore the nexus between organizational culture and innovation in modern organizations. By reviewing relevant conceptual, theoretical and empirical literature of previous studies, this research paper examines how various cultural aspects such as leadership, values and norms, communication, and employee engagement affect innovation. The review is informed by the competing Values Framework and the Organizational Innovation Theory, and covers the key study and authors in the field, such as Aboramadan et al., (2020) and Zhang *et al.* (2018). Different findings revealed that there is empirical evidence that organizational culture has a positive and important impact on innovation in organizational settings. Recommendations and conclusions form the last part of this study.

Keywords: Leadership, values and norms, communication, employee engagement and innovation.

1. INTRODUCTION

The internal and external dynamism of the organization affect the organizational culture (Vargas-Halabi and Yagüe-Perales, 2023; Hazem and Zehou, 2019). Huff (2021) claimed that organizational Culture is the shared pattern of beliefs, values, assumptions and norms that shape the way of behaving and performance of an organization's workers. Organizational culture is one of the most crucial factors that impact an organization's ability to innovate, among many other factors. A dynamic culture that values innovation fosters the essential conditions for creativity and collaboration to thrive. With the fast changes in current modern society, Innovation is a crucial thing that enables organizations to realize their long term objectives (Zhang *et al.*, 2018). With the current competing business sphere and in order to save its market share, each organization is obliged to introduce new products, services, ideas (Wikipedia, 2023). Organizations are encouraged to compete and make modification and changes on their strategies; services if they want to survival on the current configuration of the business sphere in the organizational settings. Many studies revealed that there is a link between organizational culture and innovation. It is more probable in a culture that supports taking risks, trying new things, and failing as a way of teach (Shin *et al.*, 2021). Conversely, a culture that resists change and shuns risks may hinder innovation and inhibit employees from pursuing novel ideas and possibilities.

The following question guides this research: In what ways does the shared culture of an organization influence its ability to innovate in several kinds of organizations and settings, and what are the most effective methods and approaches for developing and maintaining a culture that supports innovation? This research problem is significant and pertinent because both organizational culture and innovation are crucial for the performance and sustainability of organizations in the competitive and dynamic environment. To fill the gap research on the innovation and culture, scholars and researchers are encouraged to write on the factors that influence the innovation in the organizational settings. Research has shown that if an organization wants to be innovative, it is very important to value its products and services, to learn from its failures and

not to avoid taking risk (Bormann *et al.*, 2021). In such organization, workers are more empowered, encouraged to explore new opportunities in order to help their organization in creating improved products and services. A strong organizational culture helps organizations to adapt many changes on their productions in the marketplace (Paknejad *et al.*, 2021). However, Up to date, there is no study which showed clearly the mechanisms through which organizational culture affect innovation outcomes.

2. ORGANIZATIONAL CULTURE

According to Wong (2023) and He (2023), organizational culture define the ensemble of beliefs, assumptions, attitudes, internal values, artifacts and rules that outline and influence employee behavior within an organization. Organizational culture can be seen as the collective personality of an organization that guides the way workers interact, make decisions, and approach their work. The culture reflects how workers, clients, sellers, and other members experience the organization and its brand. The organization culture is very important in the definition of the performance of employees and final production of the organization.

Corritore *et al.* (2020) showed the neglect of the situational factors and conditions that influence the link between organizational culture and organizational results, such as the external setting, the organizational situation, and the personnel traits of the employees, and the demand for more relative and cross-cultural research to explore the diversity and adaptation of organizational culture across different context and scenarios. Yet, there are still some difficulties and issues in the research and application on how to effectively understand measure, manage, and transform organizational culture, and how to match it with the strategic goals and vision of the organization (Turner, 2022).

3. INNOVATION

According to Innovation-Wikipedia (2023), Innovation is the process of creating and applying new concepts, products, services, or methods that enhance efficiency values and productivity. Innovation can be easily defined as an implementation of new ideas and strategies within the organization settings. Dyer *et al.* (2021), examines the main characteristics and behaviors of successful innovators. They showed five skills of innovative people such as associating, questioning, observing, networking, and experimenting. Through in-depth research and case studies, the authors focus on the importance of these skills in driving breakthrough innovations in several industries. Furr and Dyer (2021), highlight the applying lean startup principles to encourage innovation within established organizations. They have outlined a systematic approach to innovation that includes rapidly testing and iterating ideas in the market to reduce risk and foster learning. By leveraging techniques such as customer discovery, rapid prototyping, and continuous experimentation, the authors reveal a practical framework for organizations to identify and pursue high-potential opportunities for innovation. However, there are still some gaps and issues in the literature and empiric on how to effectively encourage and maintain a long term innovation, and how to measure and assess its impact on organizational performance (Manly *et al.* 2021).

4. ORGANIZATIONAL CULTURE AND INNOVATION

Organizational culture and innovation are interconnected in many ways. On one hand, organizational culture can affect innovation by encouraging the motivation, creativity, learning and collaboration of the workers and Employers. On the other hand, innovation can affect organizational culture by challenging the existing practices, introducing new strategies and encouraging change and adaptation. Several types of organizational culture can have different impacts on innovations. However, there is no one way leading to the innovative culture. It depends on the context and environment of each organization. The organization that wants to be innovative has to empower its employees and stakeholders, to motivate them. This can boost their performance and their capacity to innovate. Therefore, organizations have to assess their current behavior and link it with their innovation objectives and strategies.

Li *et al.*, (2018) explored the influence of leadership and organizational culture on organizational innovation in public sector companies in Pakistan. They administrated a survey of 300 employees from 10 public sectors companies and utilized structural equation modeling to test their hypotheses. They found that leadership and organizational culture had positive and important influence on company innovation, and that organizational culture moderates the nexus between leadership and company innovation. The flexible leadership and a behavior of learning from others were proposed to public companies in order to increase their innovation performance and productivity. Fewer studies, on the factors that affect the nexus between leadership, organization behavior and innovation, were presented by the authors as a crucial challenge of this research

Zhang *et al.*, (2018) highlighted the main factors that influence the relationship between organizational culture and innovation performance in Chinese companies. The hypotheses were tested by conducting a survey of 301 employees. The structural equation was utilized. The study found that the social circumstances and performance management circumstances fully mediate the impact of emotional safety, collectivism, and indeed power distance on innovation performance. If organizations want to improve their performance, they should encourage a culture that support emotional safety and reduce power distance. Fewer studies were presented as a challenge of the research paper.

Orozco Arias *et al.*, (2018) conducted a study on organizational culture and innovation in a university of Colombia. Authors used a cross –methods approach. The study found that the culture of the university supported new ideas and strategies by implementing innovative projects. To stay more innovative, the authors proposed to the faculty to support continuously a culture of innovation, and avoid at maximum the challenges and obstacles that may discourage creativity behaviors. Few scholars and researchers highlighted the factors that influence the innovation in the academic environment.

Montes *et al.* (2018) studied how the innovation and performance are influenced by the organizational culture in 100 Colombia's organizations. To test their hypotheses, 1,000 workers were questioned separately, and structural equation modeling was used. The results found that the clan and adhocracy cultures have positive and important impacts on innovation and performance, while market and hierarchy cultures have negative and important influence on innovation and performance. The flexible culture that involves all members and that support new ideas and strategies in the workplace is to be encouraged by the organization and leave the rigid culture that improves the innovation and performance. The lack of pertinent studies was highlighted by the authors as the main challenge of the study.

Wu (2019) examined the existing organizational culture of an innovative company, and its nexus with personal and organizational. A qualitative case study was used in Polish company that produces and sells innovative products for the construction industry. The authors used the Denison and Schwartz model to measure the organizational culture and values. The results showed that the company had a strong and positive organizational culture, aligned with personal and organizational values. The research gap identified by the authors was the lack of studies that integrated the Denison and Schwartz models to analyze the organizational culture and values of innovative companies, and the need of more studies that explored the impact of organizational culture management on sustainable development.

DeTienne *et al.*, (2020) focused on the factors that affect the relationship between employee engagement and innovation. Their methodology consisted on questioning 1,487 employees across 81 groups in a technology company. They also collected data from firm-level financial statements to measure innovation outcomes. The study found a positive and significant relationship between employee engagement and team-level innovation outcomes, mediated by team-level creativity. However, the study recommended future research to explore the mechanisms through which employee engagement influences innovation outcomes, and to further investigate the boundary conditions and contingencies underlying this relationship.

Tan *et al.*, (2020) examined the relationship between employee engagement and individual-level innovation behaviors and the mediating role of job satisfaction in various industries in Taiwan. They surveyed 277 employees from various industries in Taiwan. The study found a positive and significant relationship between employee engagement and individual-level innovation behaviors, fully mediated by job satisfaction. The study suggested that future research should explore other potential mediators or mechanisms between employee engagement and innovation, as well as the influence of other contextual factors such as leadership or organizational culture.

The study topic of Aboramadan *et al.*, (2020) examined the influences of organizational culture and marketing innovation on banks' performance. They conducted a survey of 200 workers from 10 banks in Palestine, and utilized partial least squares structural equation modeling as their methodology. The main findings revealed that organizational culture and marketing innovation have positive and significant effects on banks' performance, and that organizational culture mediates the link between marketing innovation and banks' performance. They recommended that banks should apply a culture that fosters innovation and customer guidance, and focus on marketing innovation to enhance their competitive advantage. Their research issue was the importance of more studies on the different types of innovation and the different dimensions of performance.

Jiang (2021) studied the function of the organizational rules and values in modifying the employees' attitudes and behavior towards innovation. The study utilized a survey as their methodology to explore its assumptions. The findings showed that organizational rules and values improve innovation. They revealed an importance of more studies to

understand the specific mechanisms through which organizational rules and values affect innovation, as well as the function of individual-level factors in this link.

Gorzelay *et al.*, (2021) explored the nexus between knowledge sharing, open innovation climate, and internal communication, and their impact on innovative attitudes of workers in the organization settings. The study utilized a quantitative method, based on a survey of 1,024 workers from 12 Spanish organizations. The findings revealed that knowledge sharing, open innovation climate, and internal communication had positive and significant impacts on innovative behavior, and that internal communication moderated the impacts of knowledge sharing and open innovation environment. The study challenges identified by them were the neglect of studies that combined these three antecedents of innovation in an open model, and the importance of more practices evidence from different contexts and environment.

Mendoza-Silva (2021) realized a literature review on innovation capability at the company level, adopting a systematic review of 137 peer-reviewed papers from Scopus and Web of Science databases. The main result was an integrated framework that links innovation capability with its internal and external factors, and its consequences. The study challenge identified by them was the neglect of consensus on the nature, antecedents and results of innovation capability, as well as the little-researched relationship between those theories in the literature. The study recommended some tips for upcoming research that might enlighten a better understanding of innovation capability.

Liu *et al.*, (2021) studied the role of empowering leadership in worker innovation attitude, utilizing a cross-methods study integrating qualitative interviews and quantitative survey. They revealed that empowering leadership positively affects worker innovative attitude by supporting a conducive climate that fosters and encourages innovation in the organization settings. They showed a research issue in exploring the moderating system and processes through which empowering leadership affects worker innovative attitude.

Mingaleva *et al.* (2022) evaluated the existing organizational behavior of innovative organizations, showed a relationship between individual and organizational values as part of the organizational behavior, and highlighted fields needing innovation. The study utilized a qualitative method, informed by a case study of a Polish organization that produces and sells innovative products for the construction company. The study utilized also the Denison model to evaluation the organizational behavior, and the Schwartz model to assess the individual and company values. The study found that the organization had a significant and positive organizational culture, and that there was a perfect fit between individual and company values. The study challenge identified by the authors was the neglect of studies that integrate the Denison and Schwartz models to examine the organizational culture and values of innovative organizations, and the importance of more research that highlighted the effect of organizational culture management on long term development.

Vargas-Halabi and Yagüe-Perales (2023) highlighted how organizational culture affect company' innovative performance, and suggested an objective setting and internal integration/external adaptation paradox as central to explaining organizational culture's mediating and suppressing influences on innovative performance. The study utilized a quantitative method, informed by a survey of 372 Costa Rican companies, and adopted structural equation modeling to evaluate their hypotheses. The findings revealed that mission had a direct and high effect on innovative performance, and that flexibility and consistency had moderated and suppressor impacts, respectively. The gap of the study showed by the authors was the neglect of studies that disaggregated the organizational culture through a performance-oriented dimensional model, and the importance of more research that combined these results with other study streams.

5. CONCLUSION

This study examined a comprehensive overview of the nexus between organizational culture and innovation. It explored the practical evidence from various researches that encourage a positive and significant impact on supporting innovation in organizational settings. It showed how different dimensions of culture, such as leadership, values and norms, communication and employee engagement, positively impacted the innovation process and results. Other results showed that empowering leadership has positive and significant impacts on worker innovative attitude and that organizational rules and values improved innovation. The study also focused on the importance of organizational culture in driving innovation and suggested organizations to be focus on the cultural factors that impact their innovation capabilities. Organizations should be focused on the adaptable culture that support innovation and learn from their failures. This can help companies to improve their competitive advantage and realized long term growth in the flexible and uncertain environment.

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