

Investigation on the Impact of Organizational Culture on Organization Innovation

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Abstract

Innovation is an inherent part of organizational culture (OC). Innovation is the process to develop and improve products, processes and markets, with the aim to aggregate value. Define innovation as the successful implementation of creative ideas within an organization. The Purpose of this paper is to examine the relationship between organizational culture and innovation. However, without good capability of organizational learning (OL), an organization cannot retain important organizational cultural practices. Therefore, we will examine the effects of organizational culture on innovation directly and through organizational learning. This study expects to clarify the result that indicates that OL has a full mediation effect on OC and OI. However, there are still some confusing relations between OC and OL. It is important for both innovation and organizational culture professionals to understand the systemic relationship between these concepts and the value that it can generate in respect of creating and maintaining sustainable competitive advantage for organizations. In this article, the research model is proposed.

Keywords: Organizational Culture; Organizational Innovation; Organizational Learning; Sustainable Competitive Advantage

1. Introduction

In this fast changing business world, innovation has become the mainstay of every Organization. The nature of global economic growth has been changed by the speed of innovation, which has been made possible by rapidly evolving technology, shorter product lifecycles and a higher rate of new product development. Organizations have to ensure that their business strategies are innovative to build and sustain competitive advantage.

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Innovation has become complex due to changing customer needs, extensive competitive pressure and rapid technological change (Calantone *et al.*, 2002). Organizational culture (OC) is believed to be the most significant input to effective organizational learning (OL) because corporate culture determines values, beliefs, and work systems that could encourage or impede both learning and knowledge sharing (Gold *et al.*, 2001). Organization culture will affect organizational learning and organization's capabilities and can guide it to change and innovation (Lynn, 1999).

The purpose of this research is to address the theoretical gaps in the literature. A few studies have addressed the relationship between organizational culture (OC) and Organizational Innovation (OI) by considering different aspects of organizational learning, such as commitment to learning, shared vision and open-mindedness. Based on the problem statement, the objective of the research is to examine the effect of organizational culture on organizational innovation directly and through mediating variable organizational learning. Consequently, the current study will first examine the relationship between organizational culture and organization innovation. Secondly, this study will determine the relationship amid organizational culture and organizational learning and finally, it purposes to determine the association between organizational learning and organization innovation. On the bases of introductions and aims, this paper includes; literature review, knowledge based theory, research model, and conclusion.

2. Literature Review

Over the past 30 years, innovation has caught the attention of researchers and practitioners in the technological competitive environment (Eveleens, 2010). Specifically, innovation plays a key role in providing unique products/services, creating new values that were not recognized, and establishing entry barriers (Hurmelinna-Laukkanen *et al.*, 2008).

Literature on innovation indicates a variety of types of innovation ranging from incremental to radical innovation (Al-Hakim and Hassan, 2013). Some researchers group the types of innovation into three main categories; administrative and technical, product and process, and radical and incremental (Syvertsen, 2008). In the twenty-first century, with increasing specialization and individualization, the changes of industry and technology have become more significant the importance of innovation has motivated researchers to identify various driving forces of innovation.

Organizational culture is assumed to be another significant factor to effective innovation and organizational learning because organization culture forms values, beliefs, and work systems that could boost or impede both learning and knowledge sharing (Hislop, 2013; Rai, 2011).

Organizational culture will affect organizational learning and organization's capabilities and can provide suitable environment for innovation (Cameron and Quinn, 2011; Škerlavaj *et al.*, 2010). The literature has highlighted the mediating role of organizational learning in the relationship between Organizational culture and organizational innovation. However there are limited study that have comprehensively and simultaneously examined different processes of organizational learning on relationship between organizational culture and organizational innovation (Cameron and Quinn, 2011) . The purpose of OC in study is to pursue innovation so that an organization maintains sustained competitive advantages and to make an organization change and innovate through organizational learning. The results indicated that organizational learning is the mediating variable between organizational culture and organizational innovation. The findings show that both variables organizational learning and innovation contribute positively to business performance, and that organizational learning affects innovation.

2.1. Organizational Culture

Organizational culture can be described as the values, beliefs and hidden assumptions that organizational members have in common (Miron *et al.*, 2004). Based on Cameron and Quinn (2011), the study of organizational culture originated from anthropology and sociology. Within these two disciplines, two different perspectives of organizational culture emerged that included the functionalist and semiotic approaches. These perspectives have led researchers to define, measure, and characterize culture differently (Cameron and Quinn, 2011).

Culture is a pattern of norms, values, beliefs and attitudes that influences behaviour within an organization (Chin-Loy and Mujtaba, 2007). The literature reveals multiple traditions in the evolution of the organizational culture construct. Researchers will generally choose an approach based on their particular research question, interests, and abilities (Smircich, 1983).

This study applies a quantitative approach in the sociological-functionalist tradition by assuming that organizations have cultures. This sociological-functionalist tradition is consistent with Cameron and Quinn (2006). In addition, this study views culture from an integration perspective and treats organizational culture as an independent variable. Four distinct dimensions of organizational culture will be examined as the independent variable components in this research. These dimensions are clan culture, adhocracy culture hierocracy and market culture.

2.2. Organization Learning

Organizational learning is an area of knowledge within organizational theory that studies models and theories about the way an organization learns and adapts (Vasenska, 2013), Organizational learning has been regarded as one of the strategic tool of archiving long-term organizational success (Argote, 2013; Easterby-Smith and Lyles, 2011; Liao and Wu, 2010). Organizational learning has been considered, from a strategic perspective, as a source of heterogeneity among organizations, as well as a basis for a possible competitive advantage (Vera and Crossan, 2004). It is critical in today's global competitive marketplace for an organization to maintain its position in a rapidly changing environment. Organizational learning is a process related to the development of new knowledge (Huber, 1991) therefore, affects organizational innovation, since knowledge creation enhances the introduction of new products and services (Smith *et al.*, 2005). Organizational learning is a process in which members of an organization detect errors or anomalies and correct it by restructuring organizational theory of action, embedding the results of their inquiry in organizational maps and images (Argirys and Schön, 1978). Organization learning included open-mindedness, shared vision, and commitment to learning. Due to the broad process of innovation, the learning has enabled the implementation of new idea, product and process, new management styles in communication and marketing, organizational structure and relations with clients (Camarero and Garrido, 2011). The impact of learning orientation is studied through three dimensions: commitment to learning, an open mindedness and a shared vision. Similarly, Phromket and Ussahawanitchakit (2009) has also found that organizational learning has positive effect on innovation outcome and export performance.

2.3. Organization Innovation

Innovation is the process to develop and improve products, processes and markets, with the aim to aggregate value.

The definition is based on a distinction made by Schumpeter (1934) between an invention, an idea, and innovation as the generation of value out of an idea (Cooke, 2001; Marins, 2008). Innovation typically involves creativity, but is not identical to it: innovation involves acting on the creative ideas to make some specific and tangible difference in the domain in which the innovation occurs. Amabile *et al* (1996) define innovation as the successful implementation of creative ideas within an organization. In this view, creativity by individuals and teams is a starting point for innovation; the first is necessary but not sufficient condition for the second. A further characterization of innovation is as an organizational or management process. Based on Davila *et al.* (2012), Innovation like many business functions is a management process that requires specific tools, rules, and discipline. Through these varieties of viewpoints, creativity is typically seen as the basis for innovation, and innovation as the successful implementation of creative ideas within an organization (Amabile *et al.*, 1996). From this point of view, individuals may display creativity, but innovation occurs in the organizational context only.

The firm's learning capabilities play a crucial role in generating innovations (Sinkula *et al.*, 1997). Innovation implies the generation, acceptance, and implementation of new ideas, processes, products, or services. Organizational innovation is defined as the application of ideas that are new to the firm, whether the newness is embodied in products, processes, and management or marketing systems (Weerawardena *et al.*, 2006). It is obvious that an organizational learning is closely related to organizational innovation. It is essential to understand the types of innovation and their features because a specific type of innovation requires unique and sophisticated responses from an organization (Hurmelinna-Laukkanen *et al.*, 2008).

Although, previous innovation studies suggested several innovations typologies, the most prominent type of innovation comprises the following categories; technological versus administrative innovation, incremental versus radical innovation, and product versus process innovation (Cooper, 1998). In this study, the knowledge-based theory is a suitable theory to support conceptual framework.

3. Knowledge Based Theory

Knowledge –based view of firm approach considers firms as bodies that generate, integrate and distribute knowledge to create superior values (Narasimha, 2000). The ability to create value is not based as much upon physical or financial resources as on a set of intangible knowledge- based capabilities. For instance, organizational culture and organizational learning could be as a fundamental source of core competencies and sustained competitive advantages (Barney, 1991). If an organization understands its culture type, it can consider the degree of fit required between its knowledge management practices and culture for a given business environment. . In addition, the organization can create a culture that promotes knowledge sharing which is important to its success (David and Fahey, 2000). According to KBV theory of organizational culture, intangible asset plays an important role in an organization.

Relationship between (KBV) and organizational learning is important, because based on knowledge based-theory; knowledge resource constitutes a company's intangible assets. Organizations in the emerging knowledge economy will need to build strategic capability to create value based on the intangible assets of the firm. Organizational learning is a field of knowledge within organizational theory that studies models and theories about the way an organization learns and adapts (Vasenska, 2013). Therefore, organizational learning as an intangible asset and its effect on organizational innovation is perfectly consistent with the knowledge –based theory and the results of the relationship between organizational learning and organizational innovation can be interpreted with the theory.

Relationship between KBV and Organizational Innovation is vital for organization because the essence of organizational culture regarding innovation is that it delivers a framework for management in their endeavour to develop and improve their organizational capability to innovate. (Cohen and Levinthal, 1990) reflect this as absorptive capacity.

It defines the ability of an organization to recognize the value of new information and knowledge, assimilate, and apply them, and this ability is critical in determining an innovative result. Interpretation of the results of the relationship between organizational culture and organizational innovation can be explained entirely by the knowledge-based theory.

Because, according to this theory, if organizational culture as an intangible asset is implemented effectively in different levels of the organization leads to some unique capabilities and capacities which in turn lead to superior performance through innovation (Leal-Rodríguez *et al.*, 2013).

4. Research Model

The purpose of the research is to examine the effect of organizational culture on organizational innovation directly and through mediating variable organizational learning. In this study, a research model was presented and empirically tested. The knowledge-based views of firm are exercised as the main theoretical framework to predict and to interpret the relationship between variables. Fig. 1 illustrates a model that includes three constructs, namely, organizational culture, organizational learning, and organizational innovation.

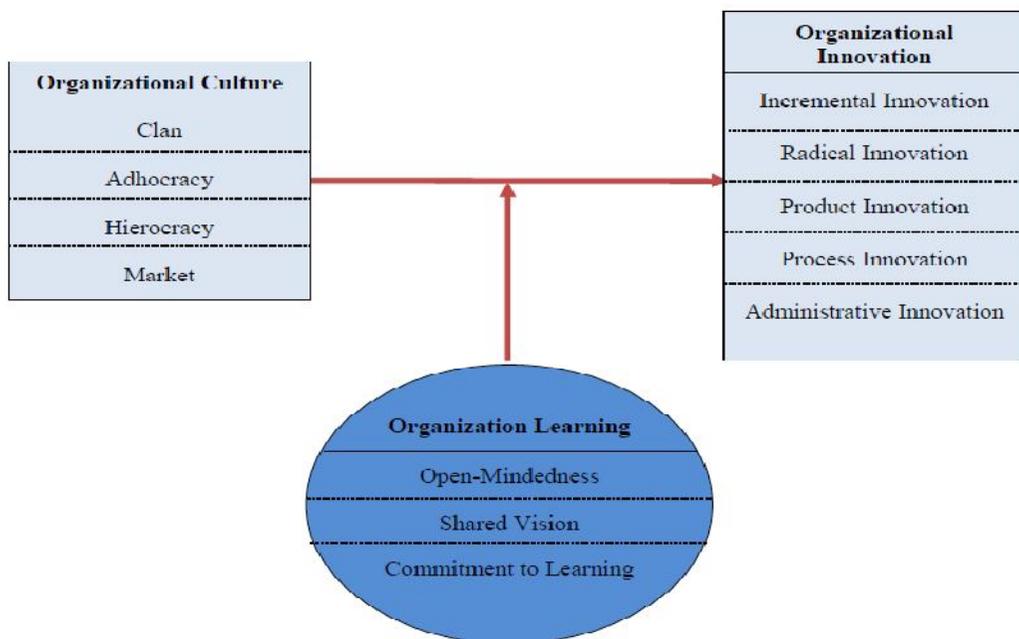


Fig. 1: Research Framework

5. Conclusion

This research examines the relationships between organizational culture, organizational learning and organizational innovation.

Our findings reveal that organizational culture exerts a complete mediating effect on organizational innovation through organization learning. On the other hand, organization members with great experience and organizational culture will enhance the performance of the organization. Based on this article, it is clear that organizational culture plays a significant role in innovation. It is important for both innovation and organizational culture professionals to understand the systemic relationship between these concepts and the value that it can generate in respect of creating and maintaining sustainable competitive advantage for organizations.

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