

An Insight into Building Sustainable and Innovative Culture for Organisations

Dr.Preeti Nair

Associate Professor, Parul Institute
of Engineering and Technology
&Head, International Relations
Cell, Parul University

Guzrat, India

preeti.nair@paruluniversity.ac.in

Himani Sivaraman

Assistant Professor,
Department of CSE
Graphic Era Hill University

Dehradun, India

himanisivaraman@gmail.com

Dr.Laxmi Chauhan

Associate professor
School of Humanities
Graphic Era Hill
University

Dehradun, India

emplaxmi@gmail.com

Manvi Chopra

A.P., Dept of Management
Dev Bhoomi Institute of
Technology

Dehradun, India

chopramanvi4@gmail.com

ABSTRACT:

Different cultures play different roles in the organisation and identifying the strength of an effective culture is the absolute need during the changing dynamics of the market. Barney (1986) noted that it is difficult to change the culture unless that culture becomes a source of sustained competitive advantage. It is thus very important to understand the impact the culture of organisation has on its business performance. This paper attempts to focus on the impact of culture on innovation and sustainability. The paper also discusses on the importance of sustainable and innovative culture in the organisations and also the factors which affect them. An effort has also been undertaken to point out some practices which can sustain an innovative and sustainable culture. Today, companies engage in developing economically valuable characteristics in their cultures, such as innovation or other important organizational objectives, which helps them to differentiate and sustain. Innovation has played and continues to play an increasingly crucial role in determining organizational success as a guiding performance and competitive advantage (Leskovar-Spacapan and Bastic, 2007). Thus, this paper will provide an insight into the activities the organisation should focus in the process of building up an innovation and sustainable culture.

Key words: Culture, Organisations, Innovation, Sustainable

Introduction

Human resource practices are essential for the company to create a culture of creativity and innovation. This is important to achieve success and develop competitive advantage. It is understood that competitive advantage can be achieved through a workforce of high quality that enables organizations to compete on quality and innovation. 'Innovation is the basis of all competitive advantage: the means by which organizations anticipate and fill customer needs, the method by which organizations utilize technology' (Schumann et al., 1994, quoted by Gudmundson et al., 2003, p. 1). Innovation has played and continues to play an increasingly crucial role in determining organizational success as a guiding performance and competitive advantage (Leskovar-Spacapan and Bastic, 2007). Innovation is a key means by which an organization can achieve sustainable growth. The importance of innovation for competitiveness, productivity and profit factor is well documented in literature (Leskovar-Spacapan and Bastic, 2007).

Innovation is 'a process that begins with a new idea and concludes with market introduction' (Freeman and Engel, 2007, p. 94). Innovation is defined as 'implementing new ideas that create value'. This general description refers to various types of innovation, such as product development, implementing new process technologies and management practices. Organizational culture has generated significant interest since 1980 (Deal and Kennedy, 1982). It is commonly defined as a set of values, norms and beliefs within a company. Hofstede (1991, p. 262) defines organizational culture as 'the collective programming of the mind which distinguishes the members of one organization from another.' Hence, the differences in culture between organizations are largely a function of practices of human resource management and how they are perceived by organization members. In the ongoing competitive market to create an edge and to remain competitive it is necessary to have a strong sustainable culture, and this culture if is innovative can definitely be a sustainable competitive advantage to the organisation.

Purpose of research

There are several questions which emerge from review of literature focussing on sustainable competitive advantage through organisational culture:

- 1) Which is the organisational culture, best fit to improve performance and competitive advantage of the company?
- 2) Which are the factors that affect the innovative culture of an organisation?
- 3) Which practices can be implemented that support an innovative and sustainable culture of organisation?
- 4) What is the perception of employees of different sectors of Industries towards innovation and sustainable organisational culture?

Relevance of topic and problem

It is observed and proven that strong organisational culture forms the basis for success and simultaneously creates an employee behaviour pattern and work environment. Hence a strong innovation and sustainable driven culture brings about reinforcement in the existing and incoming employees of the organisation for innovation. This leads to a competitive advantage for the organisation as the HR practices and policies in form of employee driven innovative culture cannot be easily copied or adapted. Organizational culture can encourage (or discourage) a variety of behaviours and decisions, including those related to innovation. As Kanter (2000) suggested, it is important that executives learn to use the culture of their organization to mobilize and motivate members to be creative and innovative when the objective is to create new products, concepts and services. There also needs to be effective HR practices to promote and sustain the innovative culture of the organisations. This study hence will assist the HR managers to understand the perception of employees towards the importance of innovative culture and to identify the practices which support this culture and the take care of the variables which can affect the culture in the organisation. Successful innovation depends on cultural adaptation. Thus, companies that consider innovation a strategic priority should cultivate and nurture a culture of innovation inducing a priority because the lack of alignment reduces the probability of success.

Objectives of the study:

- 1) To understand the perception of employees towards innovation culture of organisation
- 2) To understand the importance of sustainable and innovative culture as a competitive advantage and impact on business performance
- 3) To identify the key variables and factors which affect and can sustain the innovation culture of the organisations

Applied research methods

The methods applied for the research is primary survey through a structured close ended questionnaire with the variables identified through literature review. The questionnaire was addressed to employees of 2 different type of industry (Manufacturing and Service sectors). The organisations were classified as Type A: manufacturing sector and Type B: Service sector. The industries were identified based on their existence and innovativeness in the market. The number of respondents assigned to each industry was 50. The respondents were from the middle level structure of the organisation. The main part of the questionnaire was A) To understand the perception of employees towards the importance of innovation B) To identify the key variables which affect the innovation culture of the organisations C) To identify the best practices which support the innovative culture of the organisation. The results were analysed based on the percentage method and ranking, to identify the general perception of employees towards innovation driven culture. The responses towards each questions was divided into 3 Likert scale for clarity. The range adopted was Agree, Neutral and Disagree and for the third objective, the ranking were from Most important, Important, Moderately important.

Literature Review and Research Findings:

The key findings of the paper based on the objectives are as follows:

- i) To understand the perception of employees towards innovation culture of organisation
The literature base taken for this objective includes the several definitions given by various authors for innovation culture. This has formed the basis of the questions introduced to the respondents to find their perception towards their understanding of innovation culture

Table 1: Perception of employees towards concept of innovation culture

Sr. No.	Author	Definition	Type A Industry (Manufacturing)	Type B Industry (Service)
1	Gandotra, 2010	Culture that make innovation a daily way of life	Agree- 85% Neutral- 17% Disagree- 2%	Agree- 92% Neutral- 0% Disagree- 8%
2	Streets and Boundary, 2004	Culture in which new ideas are generated, valued and supported	Agree- 98% Neutral- 0% Disagree- 2%	Agree- 97% Neutral- 0% Disagree- 3%
3	Bordia, Kronenberg, Neely, 2005	Innovation as a mechanism of economic change The ability to define and develop new products and services and deliver them to market	Agree- 99% Neutral- 0% Disagree- 1%	Agree- 88% Neutral- 2% Disagree- 10%
4	Jonczyk, 2011	Implementation of a new or significantly improved product, process, marketing method or positive material, Change in the organization.	Agree- 99% Neutral- 0% Disagree- 1%	Agree- 91% Neutral- 0% Disagree- 9%
5	Langdon, 2011	Innovation culture comes into being when people engage in the three different types of activities: Creative Geniuses,	Agree- 83% Neutral- 1% Disagree- 6%	Agree- 99% Neutral- 0% Disagree- 1%

		Innovation Leaders, and Innovation Champions		
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- ii) To understand the importance of sustainable and innovative culture as an competitive advantage and impact on business performance

The various literature reviews shows the impact of sustainable and innovative culture towards competitive advantage and impact on business performance. The following reviews were taken into consideration to form the basis of the questions for the objective.

Table 2: Perception of employees towards innovative culture leading to competitive advantage and impact on business performance

Sr. No.	Author	Findings	Type A Industry (Manufacturing)	Type B Industry (Service)
1	Deshpande	<ul style="list-style-type: none"> Market orientation and innovative culture enable organizations to achieve higher brand performance. Market orientation is a response partly derived from the organization's innovative culture 	Agree- 75% Neutral- 14% Disagree- 11%	Agree- 95% Neutral- 0% Disagree- 5%
2	Hofstede	<ul style="list-style-type: none"> Organizations with low power distance generate high exploratory innovation, but organizations with high power distance will generate high exploitative innovation, Uncertainty avoidance is low in high exploratory innovation, but high in exploitative innovation, Individual activities and group heterogeneity are positively related to exploratory innovation 	Agree- 65% Neutral- 7% Disagree- 28%	Agree- 77% Neutral- 20% Disagree- 3%
3	Barros&Prates model	<ul style="list-style-type: none"> Personal values balance and organization cultural index positively related with the value innovation index 	Agree- 90% Neutral- 0% Disagree- 10%	Agree- 88% Neutral- 1% Disagree- 11%
4	Cameron and Quinn	<ul style="list-style-type: none"> Hocratic cultures have a positive effect on product innovation, external and flexible orientations are key drivers for developing new products Organizational culture is important determinant for innovation over the internal and external variables (size, age, external environment) Adhocracy cultures have positive effect on innovative orientation, while hierarchical cultures foster an imitative 	Agree- 91% Neutral- 1% Disagree- 8%	Agree- 92% Neutral- 0% Disagree- 8%
5	Quinn and Spreitzer	<ul style="list-style-type: none"> Not all dimensions of each culture have the same effect on innovation orientation of the firm. Both – Developmental and group culture – have positive effect on Innovation and product quality Cultural dimensions which are primarily related to innovation 	Agree- 80% Neutral- 0% Disagree- 20%	Agree- 90% Neutral- 0% Disagree- 10%

		also show a significant effect on quality		
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iii) Organizational culture variables influencing innovation orientation

The review of literature has been compiled into a list indicating the variables influencing the innovation orientation in organisations, indicated by different authors through their individual work. This has been formed the basis of questionnaire for finding out the variables influencing innovation orientation.

Table 3: Perception of employees towards variables influencing innovation culture

Sr. No.	Cultural values	Authors
1	<ul style="list-style-type: none"> • Participative management practices • Organizational support • Autonomy of workers • Management commitment 	Gudmundson, Tower and Hartman (2003)
2	<ul style="list-style-type: none"> • Cultural adaptation 	Kanter (2000)
3	<ul style="list-style-type: none"> • Employee training • Team-based production systems • Incentive-based rewards systems • Autonomy of employee • Rapid environmental change • Workloads not excessive • Support of management • Reward systems • Work pressure not excessive 	Chandler, Keller and Lyon (2000)
4	<ul style="list-style-type: none"> • Open organizational cultures • Competitive and entrepreneurial • Strongly oriented to the market and innovativeness 	Leskovar-Spacapan and Bastic (2007)
5	<ul style="list-style-type: none"> • Dynamic environments • Less formal control • Decentralized decision-making 	Gonzalez-Padron, Hult and Calantone (2008)
6	<ul style="list-style-type: none"> • Risk taking • Change • Experimentation • Tolerance of uncertainty • Exploitation of opportunity 	O'Reilly, Chatman and Caldwell (1991)
7	<ul style="list-style-type: none"> • 'Fresh' thinking • Fast execution • Risk-taking • Continuous improvement • Education on innovation • Low stability • High teamwork • Teamwork • Financial investment in R&D (research and development) • Interpersonal communication and cooperation • Team orientation 	Wang, Guidice, Tansky and Wang (2010)
8	<ul style="list-style-type: none"> • Resources, financial and human • Rewards • Tolerate failure • Openness to new ideas • Creativity • Change • Continuous learning • Autonomy • Collaboration • Flexibility 	Covin and Slevin (1991); Hurley and Hult (1998)

	<ul style="list-style-type: none"> • Informal communication 	
9	<ul style="list-style-type: none"> • Participative leadership 	Ogbonna and Harris (2000)
10	<ul style="list-style-type: none"> • Worker autonomy 	Claver, Llopi, Garcia and Molina (1998)
11	<ul style="list-style-type: none"> • Strong culture • Clear sense of mission and purpose • Well thought out strategy • Business philosophy of continuous improvement • Total customer satisfaction • Total quality management • Visionary leadership • Enthusiastic champions of change • Know customers • Constantly introduce new and differentiated products and services • Providing products and services that exceed customer expectations • Unlock the potential of people through good communication • Teamwork • Training • Democratic, participative leadership style 	Neely et al. (2001)
12	<ul style="list-style-type: none"> • Flexible structures • Few rules and regulations • Slight job descriptions • High autonomy • Flat structures 	Amabile (1998)
13	<ul style="list-style-type: none"> • Shared and mutually communicative environment 	Snell (1992)

The variables have been grouped into Organisational variables, Managerial Skills variables and Individual variables.

- Organisational variables comprise of job descriptions, autonomy, structure, HR policies, Employee training, Team-based production systems, Incentive-based rewards systems, Reward systems, Open organizational cultures, Competitive and entrepreneurial, Strongly oriented to the market and innovativeness Dynamic environments, Less formal control, Decentralized decision-making, Risk taking Change, Experimentation, Tolerance of uncertainty, Exploitation of opportunity, Financial investment in R&D (research and development), Clear sense of mission and purpose, Well thought out strategy, Business philosophy of continuous improvement, Total customer satisfaction, Total quality management, Visionary leadership, enthusiastic champions of change, Know customers, Constantly introduce new and differentiated products and services, Providing products and services that exceed customer expectations, Flexible structures, Few rules and regulations, Slight job descriptions, High autonomy, Flat structures, Shared and mutually communicative environment
- Managerial skill variables: Participative management practices, Organizational support, Autonomy of workers, Management commitment, Workloads not excessive, Support of management, Low stability, High teamwork, Teamwork, Team orientation, Tolerate failure, Change, Autonomy, Collaboration, Flexibility, Informal communication, Unlock the potential of people through good communication, Teamwork, Training Democratic, participative leadership style
- Individual variables: Cultural adaptation, Openness to new ideas, 'Fresh' thinking, Fast execution, Risk-taking, Continuous improvement, Education on innovation, Interpersonal communication and cooperation, Creativity, Continuous learning

The respondents were asked to rank the three variables in order of importance. It was found that Type A Industries are of the opinion that out of the three variables that affect the innovative culture of the organisation, the most important variable is the Organisational variables followed by Managerial skills and then Individual variables. The Type B industries are of the opinion that Individual variables followed by Managerial and then Organisational variables are the most important.

Interpretation of the findings:

The study reveals that maximum employees of the organisation are of the opinion that innovation and sustainable culture of organisation certainly affect performance of the organisation in a positive way and contributes to success.

It is also found that the employees understand the terminology of innovative culture and are already practicing the same in their organisations. They agree with the definitions of innovative culture and understand the various objectives of having an innovative and sustainable culture in organisations. They also agree to the statements that innovative culture is one major factor of competitive advantage for the organisation. The response of both the manufacturing and the service sector industries were almost same towards the first two objectives. However for the third objective the perception of both the respondent groups were different. The Type A industries (Manufacturing sector) respondents feel that organisational variables are the most important variables that affect and sustain the innovative culture of an organisation, while Type B industries (service sector) respondents feel that individual variables are the most important variables that affect and sustain innovative culture of an organisation. One of the major reasons for the difference of opinion is that Type A industries are more market driven in terms of technology and need and the products are mostly structured and hence the organisational objectives in respect to structured manner of working is more important than individual expertise. Type B industries are service oriented and face situations wherein they have to deal with unforeseen situations or come out with totally new innovations and features, which are more individual driven and hence they feel that the most important variables are the individual variables followed by managerial support and then organisational.

Conclusion:

The study proved that innovation and sustainable culture affects the performance of the organisation in a positive manner. It also derives the various variables and practices which can be considered for maintaining the innovative and sustainable culture especially with respect to diverse industries. The study can be taken further to understanding the role of each sub variables of the practices and also find the perspective of employees with respect to the other sectors of the industries.

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