

Developing an innovative organizational culture



Introduction

In academia, publish or perish is a common phrase. The business world has a similar phrase - innovate or become like BlackBerry Limited (perish).

Organizations are competing in markets filled with uncertainty, complexity, constant changes, and globalization (Leal-Rodríguez, Albort-Morant, & Martelo-Landroguez, 2017). Innovation allows them to create and/or maintain competitive advantages that will allow them thrive (Leal-Rodríguez et. al, 2017). Dr. John Kenagy (2009) studied Toyota and attributed its success to the generation of innovative ideas by line staff (p.). Individual contributors, in an organization, may have ideas that will improve efficiency and/or competitive edge, but do not share them with their leaders. The reason is because the organizational culture may be unintentionally inhibiting innovation. In many countries, leaders, not line staff, are expected be innovators and problem-solvers (Fostering and implementing a company-wide innovation culture, 2010). The sole dependence on leaders to develop and drive innovation limits the success of innovation efforts.

Unfortunately, much of the training leaders receive teaches them the conventional methods that historically yielded success. Conventional methods will not be sufficient in the days ahead. To cope with the innovation revolution, organizational leaders must develop an innovation culture (Keles & Battal, 2017). Innovation is a popular topic, thus there are a large number of papers and articles written with the goal to increase the reader's knowledge about it. However, many of those I reviewed tend to focus on *why* innovation is important and the relationship between organizational culture and innovation. There is little detail on specific actions leaders can take to

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increase innovation within their organizations. Additionally, there is surprisingly little written about how organizational culture influences individual employee behavior to increase innovation (Ahmetoglu, Akhtar, Tsivrikos, & Chamorro-Premuzic, 2018). This paper will examine how leaders can create an organizational culture that will allow them to tap into the potentially innovative ideas of all employees.

1. Leadership behaviors

1. Distinguishing those that promote from those that inhibit innovation

1. Reinforcement (Ahmetoglu et al., 2018).
2. Person-organization fit (Ahmetoglu et al., 2018).
3. Engagement (Ahmetoglu et al., 2018).

2. Innovation types

1. Benefits and detriments of each

3. Discussion of how leaders can use each of the above subtopics to foster an organizational culture that results in innovation

Organizational culture defined

Organizational culture allows employees to feel and behave as a group. It provides a sense of belonging and community. Additionally, it allows for members to communicate using a shared dictionary. Furthermore, culture cultivates organizational values by shaping the behavior (Cheung, Wong, & Wu, 2011). Values are.... Because culture cultivates values, it significantly impacts an individual's - and thereby organization's - performance.

According to Griffin (2010), although culture is a topic of frequent research and discussion, there is no single definition of culture because the authors of existing literature have created various definitions. Griffin (2010) notes that despite the differences, they share common the following common elements: a set of values or assumptions made by the employees that are communicated through symbols. For the purposes of this paper, the author has selected the definition presented by Schein, “ as a pattern of basic assumptions – invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration” (cited by Cheung, Wong, & Wu, 2011).

The reason Schein’s definition was selected is because it encompasses both the internal and external influences on culture. Organizations adapt to external forces in order to sell its goods and services to the market. Failure to adjust appropriately will result in extinction of the entity. Generally speaking, people have a desire to fit in a group. This desire leads to social conformity. According to Griffin, Phillips, and Gulley (2017), the group’s commitment to work together and perform well is, in part, based on similarities of the members (p. 262). By encouraging a shared way of responding to stimuli, organizational cultures create similarities among individuals from various cultural backgrounds so they become integrated into a team.

Communications about values are both explicit and implicit. Cheung, Wong, and Wu (2011) cited Schein’s results that the strongest cultures have consistency between their explicit and implicit values. This is likely the result of reinforcement of values. The explicit values are those stated by leaders

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and openly displayed through various media. An example of an explicit value is diversity. It is common, to the point where it is cliché, for organizations to state diversity is important. The implicit values, on the other hand, consist of those behaviors exhibited by employees. For example, organizational leaders may recruit talent who graduated within the top 10% of the top 10 universities. The message is thus inconsistent. Rather than creating a heterogeneous workforce, the leaders are sending an implied message that homogeneity is desirable. Creating a unified explicit and implicit message about values ensures employees truly understand the importance of the value.

The definition of the term entrepreneur has evolved over time. According to Drob (2016), the current definition is a risk-taker who exploits innovative opportunities for change. This definition expands the traditional view of an entrepreneur from a person who risks personal capital to those who risk failure to promote innovation. The expanded definition naturally leads to a new term known as the entrepreneurial culture.

Drob (2016) defines the entrepreneurial culture as a common set of values characterized by: risk-taking, tolerance for failure, promotion of innovation and continuous improvement, and a passion for business. Citing Le, Nguyen (2016), notes the entrepreneurial culture also includes the ability to effectively combine human, finance, and other resources. The above values and traits allow members of the entrepreneurial culture to devise business strategies that exploit new opportunities. It accomplishes this because members have a desire to use uncertainty to their advantage by exploiting opportunities before competitors (Baker, Grinstein & Harmancioglu, 2016).

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Innovation can be risky because implementation may require a significant investment, but the *actual* return on investment is unknown. According to Carroll (2017), in addition to the reason above, liability concerns and fear of failure also lead to risk aversion. Therefore, most organizations develop a more risk-averse/ conservative approach culture. Organizations must accept the risks associated with the unknown in order to become innovative.

Innovation and ambidexterity

Innovation is a process for generating, developing, implementing, and marketing products or services for market (Stacho, 2016). It is an intangible concept that combines art and science. According to Ikeda and Marshall (2018), it requires an understanding of the complete potential of new technologies and understanding what consumers want even before they do. The caveat is the activities must be aligned with business objectives (Ikeda & Marshall, 2018). A common illustration of this comes from Apple. When the company developed the iPod, some might have thought all of their attention would remain focused on improving that product. While improving the service for that device, the company leadership was developing a product that would combine mobile phone capabilities with portable music.

Contrary to popular belief, maintenance of the current products and services does not preclude innovation. According to Hrsing-Er and McDonough (2011), innovation can be either incremental (exploitive) or radical (explorative). Maintenance of current products and services typically results in incremental innovation. Radical innovation, on the other hand, typically results in novel products or services. Therefore, leaders must balance incremental and

radical innovation. This balance is known as ambidexterity (Hrsing-Er & Mcdonough, 2011). Although radical innovation plays a critical role in helping organizations adapt to an uncertain future, organizations also must continue to innovate standard products and services. In addition to providing the revenue necessary for the organization's existence, it also can provide funding for exploring radically innovative ideas.

Achieving ambidexterity is a challenge for leaders because it requires them to possess the skills to manage two very different processes (Hrsing-Er & Mcdonough, 2011). Additionally, incremental and radical innovations require different mindsets. On the one hand, incremental focuses on gradual improvements in the existing process. The amount of risk involved in those endeavors is relatively small. Because the degree of uncertainty is small, individuals who have a greater aversion to risk are more comfortable leading these projects. Since radical innovations result in a significant change, there is consequently a large degree of risk and uncertainty. As a result, individuals with a high tolerance for uncertainty are more comfortable leading these projects.

Creativity and Organizational Learning

The article Fostering and implementing a company-wide innovation culture suggests innovation requires creativity, risk-taking, and non-conformity (2010). Lau (2016) defined creativity as the ability to use past experience to solve problems in novel ways (citing Parnes, 1972). Creativity requires new approaches, ideas and a desire for change. Additionally, it requires an

understanding of how to apply old solutions to new problems. Thus creativity is a risk-taking activity.

Leaders are starting to realize organizational learning is a key component of creativity. According to Oltra and Vivas-López, (2013), organizational learning develops formally and informally. Formal learning requires management intervention, but informal learning is spontaneous (Oltra and Vivas-López, 2013). Spontaneous learning happens when employees openly share knowledge with each other. Sharing takes place as employees network and build relationships (Stacho, 2016). The employees also bring knowledge about how they previously solved similar challenges can be adapted for use in the current situation. They stimulate creativity and innovation as they share their knowledge with other members because they generate additional ideas and solutions.

Additionally, organizations are increasingly looking to collaborate with diverse industries enhances creativity. The collaborative efforts increase organizational learning by supplying knowledge from areas outside of its expertise. For example, Nike's network includes tattoo and graffiti artists who increase innovation activities (Baker et. al, 2016).

Hiring staff and working with organizations with diverse backgrounds naturally leads to conflict. If managed correctly diversity will result in constructive conflict (as opposed to destructive conflict). At the individual and organizational level it plays a key role in creativity because it stimulates debate and idea production (Sik, 2016). It can also decrease the existing

knowledge gap and thereby improve the problem-solving skills of the team (Kandukuri & Nasina, 2017, p. 111).

As stated previously, creativity requires a willingness to go against the current flow. Left unchecked, it can cause more harm than good. For example, generating multiple ideas can be taken to a point where the cost far exceeds organizational capacity or time constraints (Maier & Branzei, 2014). Ideas can also deviate from the core focus of the organization. Therefore, organizational leaders must strike a balance between the amount of creativity needed for innovation and control.

Leadership role in innovation

Although leaders should not be the sole or primary innovators in an organization, they still play a critical role in innovation. Rather than focus on generating ideas, leaders should focus on creating an environment that fosters both types of innovation. Existing literature is replete with suggestions, but some of the most important are: championing ideas including providing resources, tolerating failure (including freedom from excessive oversight), allowing time for innovation, rewarding innovative efforts, and hiring individuals with an entrepreneurial spirit (Ahmetoglu, G., Akhtar, R., Tsivrikos, D., and Chamorro-Premuzic, T. 2018).

Championing innovative ideas is one of the most important responsibilities for a leader. In order to do this, a leader must start by forecasting the future needs of their customer(s). This knowledge will allow them to create a unified vision for employees to base their ideas on (Keles & Battal, 2017). They can then sift through the vast amount of suggestions and weed out

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those that will not achieve the vision. The suggestions should follow a process, prior to attempting implementation that will transform the suggestion into innovation of a product or service. That process includes: detailed project and change management plans, pilot and/or prototypes, and data (Keles & Battal, 2017). The leader assists in the process by providing resources and/or removing obstacles for those working on the initiative.

Tolerance for failure is another important responsibility of a leader. Citing Holstrom (1989) Tian and Wang (2014) argue pay-for-performance encourages fear of failure and as a result discourages innovation. Their research found a high tolerance for failure increased the amount and impact of innovation (Tian & Wang, 2014). Tolerance for failure is important because it allows for experimentation. The teams can work to resolve issues within the project without stopping its progress. If the failure is too catastrophic to continue, teams can learn from the issue(s) and make adjustments in the future. A common example of this is the product WD-40. The product failed 39 times prior to it working properly.

Allowing time for innovation is perhaps one of the less obvious responsibilities for leaders. According to Khedhaouria, Montani, and Thurik (2017), time pressure can either aid or inhibit creativity. The time pressure is a stressor, and depending on how the individual perceives it, that results in eustress or distress (Griffin, Phillips, & Gully, 2017, p. 149). When the individual views the time pressure as reasonable, it may result in an adrenaline rush that helps the person to complete the task well and on time. When the time pressure is viewed as unreasonable, it may result in a performance decline and/or health side effects. The reason time pressure

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may have a negative impact is because they need time to explore, experiment, and collaborate (Merrill, 2017). Creativity is inherently less efficient because it requires interactions with new people, ideas, and experiences (Merrill, 2017).

Innovation is comprised of individual work and teamwork. Therefore, the reward system must be developed to encourage innovation amongst individuals and groups. Consistently using positive consequences whenever the desired behavior is observed will increase its occurrence due to reinforcement (Griffin et al., 2017, pp. 194-196). The same principle applies to negative consequences.

Leaders must understand they cannot be effective by simply applying a generic reward system. Due to an untold number of differences in cultures, attitudes, personalities, values, styles, and influence of the leader, the motivations of each person/group will differ (Griffin et al., 2017, pp. 124, 173, 406).

Culture

Attitude

Personality

Values

Styles

Influence of leader

Motivation

Furthermore, leaders must understand to It is important for leaders to understand culture affects the individual's response to reinforcement because of its role in the formation of attitudes, behaviors, and motivations of individuals. For example, some cultures place greater emphasis on the welfare of the individual over the collective (Griffin et al., 2017, p. 59). A promotion based on individual achievements is an example of positive reinforcement for someone from an individualistic culture (Griffin et al., 2017, p. 60). For an individual from a more collectivistic culture, that may not be effective. The same principle applies with negative reinforcement. According to Griffin et al. (2017), culture helps members of a group understand acceptable and unacceptable behaviors by employing consequences (p. 58). What further complicates matters is an employee is a member of the organizational culture in addition to various cultures outside of the organization. In order to be effective, the reinforcement system must incorporate things of value to the individual. Because each person belongs to many different cultures, each person is unique. Therefore, the employees' adaption to organizational culture and motivations will vary.

Along with reinforcement, the authors also suggested work engagement plays a significant role in developing an innovative culture, but found an indirect relationship between the two (Ahmetoglu et al., 2018). According to Griffin et al. (2017), work engagement is the connection to someone or something with the organization that motivates them to perform well above what is required for the job (p. 130). The authors suggest that a possible reason for this unexpected finding is because innovative employees leave <https://assignbuster.com/developing-an-innovative-organizational-culture/>

the organization (Ahmetoglu et al., 2018). Their hypothesis mirrors what I have seen in my organization. There was a leadership change within one of our departments. The previous leader was hands-on and came in the office on Saturdays to support his/her team. Employees routinely performed tasks, including problem solving, outside of their duties to ensure things ran smoothly. Since the leadership change, those same employees either focus on only what is in the job description or are in the process of transferring to a new department.

The relationship between person-organization fit and an innovative culture is the final component the authors evaluated (Ahmetoglu et al., 2018).

Essentially, person-organization fit is the congruence between the individual's values and beliefs and the values of an organization (Griffin et al., 2017, p. 90). Close alignment between the two makes it easier for the individual to modify behaviors from other cultures to fit with the organizational culture, while feeling like they are staying true to themselves.

Although there are many articles written about innovative cultures, organizational leaders may find it challenging to determine how to create it because much of the focus is on why innovation is important and the relationship between organizational culture and innovation. Because each organization is unique, there is little detail on specific actions leaders can take to increase innovation within their organizations. The authors of the paper reviewed remind readers that applying the basic principles of leadership such as: hiring people who possess an innovative personality, creating rewards systems that reinforce desired behaviors, and fostering

work engagement is the key to creating an innovative culture (Ahmetoglu et al., 2018).

Conclusion

Innovation is a characteristic organizational leaders desire. They understand their ability to remain competitive is heavily reliant on it. For those trying to bring this into their organization, they find an enormous amount of information, but it does not give them a process for implementation. It is a nebulous concept that requires experimentation. Thus, there is no one best way to implement (Ikeda & Marshall, 2018). What complicates matter more is it requires a balance between *seemingly* opposites: control and flexibility, planning and moving quickly to take advantage of an opportunity, and individuality and teamwork (Stacho, 2016). In other words, innovation requires a balance between risk-averse and risk-taking activities. That being said, there are some things organizational leaders can do to promote an innovative organizational culture.

One of the keys to developing an innovative organizational culture is to promote learning (Hrsing-Er & Mcdonough, 2011). As aptly discussed by Merrill (2017), create an open knowledge environment. Hiring diverse staff and encouraging them to network and collaborate with individuals from different cultures, in differing departments and industries will automatically increase their knowledge base.

The second key to developing an innovative organizational culture is to avoid dismissing an idea too soon. Organizational leaders must harness ideas and transform them into innovation (Keles & Battal, 2017). Keep all ideas on the <https://assignbuster.com/developing-an-innovative-organizational-culture/>

table until all options for salvation have been exhausted. After all options have been seemingly exhausted, leaders must ensure to store data so future individuals/team can learn from and possibly make improvements (Merrill, 2017).

The third key to developing an innovative organizational culture is to increase the tolerance for failure. One way leaders can achieve this is by crafting a reward system that rewards both successes and failures. The reward for failures ought to be to a lesser extent than successes, so as not to unwittingly tell employees failures are more important than successes. Even so, lack of positive reinforcement for failures will likely result in a continued fear failure that discourages innovation. Organizational culture and rewards shape behavior, which in turn shapes organizational culture (Ahmetoglu et al., 2018).

The fourth key to developing an innovative organizational culture is leadership. Developing a culture, in this case an innovative one requires the right leadership skills. It requires a leader who: understands the present culture, defines and plans the desired future state, and then implements the future state (Stacho, 2016). Beyond all of that, developing an innovative organizational culture requires hiring innovative people and providing an environment where they can produce the desired result.

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