

Clues to Building a Culture for Innovation

There are no surprises when we talk about the need and importance of an organizational culture geared towards innovation, so that organizations have a competitive advantage in their innovation processes. This implies a decentralization of decision-making power, with simpler and less hierarchical organizational structures, and an environment in which there is tolerance for error and the exploration of creativity. It is therefore a question of a profound change in the organizational climate, firstly identifying the role of human resources in this innovative environment and giving them the chance to be diverse, daring and protagonists of new ways of doing things. Based on an analysis of research that sought to relate the organizational climate to innovative performance (Vargas-Halabi and Yagüe-Perales, 2023; Xixiong Xu, Cuiliang Lin and Lingling Duan, 2022), here are some cultural types and dimensions that can have an impact on whether or not this innovative environment is promoted.

Vargas-Halabi and Yagüe-Perales (2023) are based on four types of organizational climate that influence Innovative Performance. Using the Denison Organizational Culture (DOC) model, the authors assessed the extent to which involvement, consistency, adaptability and mission impact the innovative environment, by collecting data from 372 organizations in Costa Rica. The results show that the organizational mission, i.e. the dimension that provides the organization with a clear strategic direction and purpose, has a direct and high impact on innovative performance. In addition, adaptability, which refers to the ability to adapt quickly to changes with regard to the market and competitors, taking risks and learning from mistakes, has a positive effect, while the dimension of consistency, which concerns fundamental values and the search for consensus, stability and internal integration, has a negative suppressive effect on innovative performance. No relationship was found between involvement and innovative performance.

Looking at the types of Organizational Climate investigated in various empirical studies presented by the authors, they identify that adhocratic cultures (external orientation, flexibility, risk-taking) and clan cultures (internal cohesion, people development, high morale, long-term orientation) favor innovative performance. However, there is no evidence that a clan culture (family-oriented, integrative, team-focused) can harm innovation performance because it promotes a homogeneous, comfortable and stable environment. What was identified, however, was that a hierarchical culture (one that focuses on internal control) is destructive when it comes to developing innovative behavior in companies, and although it may seem obvious, this is something that needs to be looked at very carefully by senior managers whose strategy is to invest in innovation.

The research findings of the Chinese Xixiong Xu, Cuiliang Lin and Lingling Duan (2022, p. 594-595) show similar information. Evaluating the interference of six dimensions of culture in their relationship with innovation (Power Distance, Individualism versus Collectivism, Uncertainty Aversion, Masculinity versus Femininity, Long-Term Orientation and Complacency versus Repression), they pointed out that hierarchical ranking matters for the efficiency of corporate innovation. And here's another point to note. The empirical results show that seniority culture, strongly crossed by hierarchy culture and high power distance, is negatively associated with innovation efficiency. Furthermore, the negative association between a corporate culture of seniority and innovative efficiency is more pronounced in companies with more male executives and knowledge-intensive companies. The analysis also reveals that a culture of seniority widens the pay gap between different classes, hinders the motivation to communicate and ultimately harms corporate innovation efficiency.

It's also worth pointing out that the negative impacts of a rigid culture on innovation are more relevant in knowledge-intensive companies because they face an uncertain and risky market

environment in which information sharing, the need to negotiate and adjust course are crucial. In labor-intensive companies, which live in a scenario of greater stability, control and predictability, the impact of hierarchy and a culture of seniority is less, as information sharing is not as demanding.

Companies that want to tread the path of innovation have a first and important lesson: look in-house and intentionally build cultures that reflect an environment focused on clear goals and purposes that drive teams, combined with creative freedom, collaborative work, agility, tolerance of error and adaptability. The role of diversity of ideas is clear, as are practices that encourage employee protagonism and a sense of responsibility in relation to business results. Care must be taken with environments that silence and homogenize their teams under the argument of maintaining power and a false expectation of control. This is a recipe for the destruction of an innovative organizational environment.

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Further reading:

Barjak, F., & Heimsch, F. (2023). Understanding the relationship between organizational culture and inbound open innovation. *European Journal of Innovation Management*, 26(3), 773-797. <https://doi.org/10.1108/EJIM-03-2021-0139>

Vargas-Halabi, T., & Yagüe-Perales, R.M. (2023). Organizational culture and innovation: exploring the “black box”. *European Journal of Management and Business Economics*, ahead-of-print. <https://doi.org/10.1108/EJMBE-07-2021-0203>

Xu, X., Lin, C., & Duan, L. (2023). Does hierarchical ranking matter to corporate innovation efficiency? An empirical study based on a corporate culture of seniority. *Chinese Management Studies*, 17(3), 594-619. <https://doi.org/10.1108/CMS-06-2021-0258>