

# **ORGANIZATIONAL CULTURE AND ORGANIZATIONAL INNOVATION**

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## **Abstract**

The main purpose of this article was to explore how organizational culture can affect organizational innovation in Cultural Institutions of Moghan (CIP). To do this, the research has mainly focused on the one of important factor and the roles of other organizational factor such as external environment of the organization were not dealt with. The study has used correlation and descriptive-analytic methodologies. The statistical population included the employees (Experts) who were working at Cultural Institutions of Moghan in Iran. Based on a regional classification of M into three cities were randomly selected. Then, the affordable number of samples (the expert employees) was randomly selected in terms of frequency of employees at the CIPs. The estimated size samples were 252, when the Cochran formulas of calculating size samples were used. The results show that there is a relationship between organizational culture as independent variable and organizational innovation as dependent variable.

Key words: Organizational Culture, Organizational Innovation, Cultural Institutions, Moghan

## **1 INTRODUCTION**

Business and technological changes also are threatening organizational sustainability and modern management faces many challenges [1]. Therefore, becoming an innovative organization is a means to compete in this dynamic and changing business environment [2].

One of the most serious challenges facing a company, particularly a high-technology firm, is how to manage innovation as the organization evolves [3]. It is apparent that in order to satisfy the customer's unlimited expectations, companies need to orientate themselves to their customers' wants, as well as latent needs, and as a result provide products and services which are perceived to be valuable.

In fact, achieving successful innovation is not simple for most organizations as it innately cannot easily be interpreted [4]. A combination of innovative ideas and good organizational innovation management (OIM) is the key to sustaining competitive organizational innovation in the long-term [5].

An innovation can be a new product or service, a new production technology, a new operation procedure or a new management strategy to an enterprise [6],[7] As revealed by several researchers in this field, innovation is one of the paths to maintaining growing and promising organizational performance [8]. It is also pinpointed as an essential element for sustaining competitiveness and ensuring an organization's future potential [9].

Organizational innovativeness is a complicated phenomenon. Conventional researches on organizational innovativeness have explored the determinants of an organization's propensity to innovate. Although researchers have analyzed the influence of individual, organizational and environmental variables [10], [11], most of the research has focused on organizational structure [12].

As Keegan and Turner (2002) managers play an important role in creating and facilitating innovative environment. Managing innovative ideas is an important step towards effective organizational innovation [13].It is a strong predictor for the realization of innovative ideas and management of organizational

innovation [14] as innovation begins with top management who believe organizational innovation is the way to survival. Top management with an effective leadership style also creates an environment for innovation within the company. It should be able to inspire and motivate the entire work force and encourage involvement, development and learning for the employees [15].

Christensen (1999) describes the management of innovation as an overriding responsibility of today's managers. Product innovation, for instance, entails developing new goods and services. Managing such innovation may help firms meet or even drive changing market demands. Likewise, process innovation involves creating or improving methods of production, service or administrative operations. Effective process innovation may enhance organizational efficiency and responsiveness [16], [17].

In regard to the factors affecting organizational innovation, as the literature showed, organizational culture plays an important role to create an innovative environment within organizations [17]. According to Jassawalla and Sashittal (2002) "an innovation-supportive culture is defined as a firm's social and cognitive environment, the shared view of reality, and the collective belief and value systems reflected in a consistent pattern of behaviors among participants" (p 43). In addition, culture may provide an overarching frame of reference, helping align employee behavior with organizational objectives of innovation and meet paradoxical demands for control and flexibility organizational culture is defined broadly as a collection of values, beliefs and norms shared by its members and reflected in organizational practices and goals [17].

McGourty and his colleagues (1996) found that an organizational culture may be modified by specific management practices through strategic direction, employee selection, rewards and recognition, employee deployment, support of idea generation, and multifunctional teaming to encourage innovative behavior.

Idea generation and innovation are two interrelated factors at the organizational environments. Innovation starts with ideas and therefore is regarded as an important variable of the innovation capacity of the organizations. The way individuals and organizations collect, disseminate, exchange, and use knowledge influences idea generation. Additionally, management of the flow of technological information leads to generating ideas effectively as an important part of an organization's innovation capacity [18], [19].

According to Peters (1982) and Pinchott (1985) middle managers play an important role in informally encouraging employees to innovate and take risks. These middle managers provide political and organizational support for "skunk work" activities that result in innovative ventures [20]. Kanter (1985) and Quinn (1985) also noted the importance of middle managers in promoting autonomous or informal corporate entrepreneurial activities. Middle managers can do this by providing rewards (mostly intrinsic) that allow employees to experiment with, and explore the feasibility of, innovative ideas [20].

Obviously, many organizational and environmental factors may affect on organizational innovation, but this research has mainly focused on the one important factor including organizational culture. Reviewed in the literature, management and culture affect on the other organizational aspects, therefore it is vital to know how this factor affects organizational innovation as well as how managers and policy makers should prepare necessary conditions, facilities, and innovative environments for changing organizational culture in organizations.

## 2 PURPOSES AND OBJECTIVES

The main purpose of this article was to explore how organizational culture can affect organizational innovation in Cultural Institutions of Moghan (CIP). To do this, the research has mainly focused on the one important factor and the roles of other organizational factors such as external environment of the organization were not dealt with. The other objectives in this study were:

- To describe demographic profile of the respondents,
- To determine the employees' perceptions of CIP towards the organizational culture,
- To assess the level of organizational innovation, and
- To analyze the relationships among organizational culture and organizational innovation.

### 3 METHODOLOGY

The study has used correlation and descriptive-analytic methodologies. The statistical population included the employees (Experts) who were working at Cultural Institution of Moghan in Iran (N=720). Based on a regional classification of M into three cities were randomly selected. Then, the affordable number of samples (the expert employees) was randomly selected in terms of frequency of employees at the CIPs. The estimated size samples were 252 (n=252), when the Cochran formula of calculating size samples were used.

A questionnaire as a research tool was initially developed according to an extensive review of literature and finalized after both the pre test and the face validity process. Questionnaire reliability was estimated by calculating Cronbach's Alpha via SPSS software that is shown in the table 1.

Table 1. Results of reliability variables from SPSS software

Variables	Cronbach's Alpha
Organizational Culture	0.926
Organizational Innovation	0.835

Face validity of the questionnaire were also assessed by a panel of both agricultural extension experts in CIP and some faculty members at Islamic Azad University Gerni branch. Some changes were made to the questionnaire as a result of review by panel of experts.

The questionnaire consisted of two separate parts. The first part included some questions about the quality of organizational culture as independent variable. The second part included the questions about the level of organizational innovation as dependent variable. A Likert-type scale ranged from 1(very low) to 5 (very high) was used to quantify the responses in all parts.

The data were collected by an interviewing team when using the questionnaire. Descriptive statistics i.e. frequencies, valid percents, the means, and standard deviations were used to describe data. Spearman correlation test was also employed to determine whether or not relationships between independent variables and the level of organizational innovation as dependent variable.

### 4 DATA ANALYSIS

#### 4.1 Hypotheses Test

Hypotheses have been tested and evaluated by inferential statistic and the results were shown.

Table2 shows the results of Regression analysis of the organizational culture on organizational innovation.

Table2. Analysis regression between independent variable and dependent variable

Variables Entered/Removed(b)			
Model	Variables Entered	Variables Removed	Method
1	Organizational culture(a) Organizational Innovation (b)	0	Enter
a All requested variables entered.			
b Dependent Variable: Organizational Innovation			
Coefficients (a)			

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	38.420	1.930		19.902	.000
Organizational Culture	.544	.078	.436	6.958	.000

a Dependent Variable: Organizational Innovation

**Main hypothesis:** *Organizational Culture Affects Organizational Innovation Level.*

Since (sig) significant level test in independent variable (organizational culture) is less than 0.05. We can say that, organizational culture affects organizational innovation level. The impact of organizational culture on organizational innovation level is direct; because of Beta value is positive. This hypothesis is confirmed by research.

Regression equation of the test is as follows:

$$\hat{Y} = 38.42 + 0.544X_1 + 0.466X_2$$

This model is significant at 95%.

## 4.2 Findings

Demographic profile of the respondents showed that the average age of respondents was 38.7 (SD=8). Respondents had an average of 14 years of experience in their organization. About level of education, a majority of the respondents (68.3%) were at Bachelor or higher Level on agricultural science. Most of the employees (83.9%) were married.

The following parts present findings about the quality of organizational culture based on the employees' perceptions:

### 4.2.1 Organizational culture

As shown in table 3, there is a rather moderate communication between management and employees for solving problems (M=2.62). In the organization, personnel were not encouraged to expand their capacity to achievement (M=2.08) and the organizations attempt to foster the employees' potential was definitely low (M=1.90). Based on workers perceptions, considering the failure as an opportunity was low (M=2.05) and emphasis on teamwork was low (M=2.18) the total mean (M=2.25) shows the organizational culture is not suitable for facilitating and developing innovation in organization.

Table 3: Employees' perceptions of the organizational culture

Organizational culture	n	Mean*	S.D
In our organization, there is a common way to communicate manager and employees for solving problems.	252	2.62	1.22
Personnel are continuously encouraged to expand their capacities to achieve more	252	2.08	1.08
Organization tries to foster the employees potential	252	1.90	1.25
Failure is seen as an opportunity learning and getting experiences	252	2.05	1.24
There is a strong emphasis on teamwork in our organization	252	2.18	1.24
Our organization has a widely belief that innovation is an absolute necessary for the organization's future	252	2.60	1.18
Employees are encouraged to continually look at things in a new ways	252	1.94	1.22
Confidence, trust and accountability are words which describe how management treats the employees	252	2.60	1.20

Employees are evaluated based on the value of their thought and ideas	252	2.01	1.23
In our organization, employees are the key to success	252	2.27	1.31
In our organization, employees decide the way of doing their jobs	252	2.14	1.27
There is a strong commitment to organization and it's goals	252	2.72	1.38
Employees feel that they are their own boss	252	2.08	1.30
<b>Total</b>	252	2.25	0.981

\*Scale: 1 = very low, 2 = low, 3 = moderate , 4 = high, 5 = very high

#### 4.2.2 Measuring organizational innovation

In this study, the level of organizational innovation as dependent variable was measured with some indicators related to innovative activities and renewal in plans and procedures. As indicated in table 3, respondents assessed the level of innovation and renewal in plans and procedures between low and medium (M=2.51).

The level of organizational innovation as dependent variable was measured with some indicators related to Innovative activities and renewal in plans and procedures.

Table 4: Employees' perceptions of Innovation and renewal in plans and procedures in organization

Descriptors	n	Mean*	S.D
New and different plans or activities in last two years	252	2.80	1.18
New and different ways in doing plans or activities	252	2.67	1.12
Trying to find new clients and customers	252	2.79	1.16
Replacing old methods and procedures with new ones	252	2.61	1.11
Testing new methods in doing organizational activities	252	2.39	1.03
Improving and modifying structure and rules for facilitating organizational activities	252	2.41	1.06
Setting new organizational units or departments	252	1.91	1.08
<b>Total</b>	252	2.51	0.85

Note: 1 = very low, 2 = low, 3 = moderate , 4 = high, 5 = very high

#### 4.2 Correlation between independent variable and organizational innovation

Table 5 shows the results of using Spearman correlation test to determine relationship between organizational culture and organizational innovation as dependent variable. As shown, positive significant relationship at 0.05 levels was shown between Organizational culture and organizational innovation. Also a positive significant relationship was found between the organizational culture and the level of organizational innovation in these organizations. According to this finding, it can be suggested that the better organizational factor such as organizational culture are; the higher level of organizational innovation will be.

Table 5 Relationship between independent variable and organizational innovation

	Organizational culture
Organizational innovation	*r= 0.593 Sig=0.000

\* : significant relationship at 0.05 level

### 5 CONCLUSIONS AND IMPLICATIONS

Based on the findings of the study, the following conclusions were drawn and recommendations made:

Organizational culture important organizational factor were not supportive for facilitating suitable environment for organizational innovation. Moreover, a rather low level of organizational innovation was observed as well as positive relationships were found between organizational culture and organizational innovation. Accordingly, this indicates that existing organizational environment is not suitable enough to improve organizational innovation at different levels of the organization. Therefore, it is recommended that structures and rules of the organization should be modified based upon an organizational innovativeness by supportive culture.

Therefore, it is necessary the managers and other policy makers realize how organizational culture should be modified in order to facilitate organizational innovation.

Finally, in regard to modify the organizational structure towards organizational innovation, the following suggestions are given:

- improving organizational innovation by creating informal relationships,
- Shifting from current planning systems to decentralized and new planning systems,
- Applying participatory decision making approaches in which all stakeholders involve,
- Making informal control and monitoring without complicated organizational hierarchy,
- Making available training programs about organizational innovation process for both employees and managers employees' and managers' awareness as well as changing their attitudes towards organizational innovation through affordable educational programs.

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