
The Influence of Organizational Culture on Creativity and Innovation: A Review

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Abstract

In a modern society, creativity and innovation can lead to the success of organizations. Today, innovation is one of the main factors influencing business success in an extremely competitive and dynamic environment. Therefore, scholars and practitioners have attempted to contribute to improvements in knowledge of the effective management of innovation. To date, although the literature on innovation is growing rapidly, very little attention has been paid to the organizational and managerial issues pertaining to creativity. Previous studies have confirmed that creativity, innovation, discovery and inventions result in the success and existence of organizations. Thus, the main aim of this paper is to review the existing literature on the relationship of organizational culture with creativity and innovation. Furthermore, it has been proposed that creativity may improve the level of innovation implementation. This proposed framework is expected to further the deep insight into innovation management and scope out for empirical study in different settings.

Keywords Organizational Culture, Creativity, Innovation

Paper type: Review Paper

1. Introduction

Today, organizations are shifting towards knowledge-based organization. To be successful and survive in the competitive market, creativity and innovation play an important role (Masnan *et al.*, 2008). Such an issue needs changes in individuals' behavior and innovation in organizations (Read, 1996). Scholars believed that there is a rapid rate of change of new knowledge, idea generation, and global diffusion of new ideas (Chan Kim & Mauborgne, 1999). It is obvious that creativity and innovation can play a key role in this change. Thus, organizations and leaders need an attempt to develop an institutional framework in which creativity and innovation can be accepted as basic cultural norms. Creating new products, new services and new process with competitive cost and price has become a significant concern for corporations (Labich, 1988). In this matter, empirical findings and experience-based prescriptions attempt to contribute to a rapidly growing body of knowledge of management of innovation. Park *et al.* (2013) stated that innovation can be encouraged by organizational culture as innovation that is related more to individual level of idea generation. In this case, many researchers have attempted to find the relationship of organizational climate on innovation behavior (Ekvall, 1996; Naranjo-Valencia, *et al.*, 2011; Scott & Bruce, 1994; Wang & Rode, 2010). Similar to the organizational climate, researchers emphasized the importance of organizational culture (Martell, 1989; Pheysey, 1993; Ahmed, 1998; Schuster, 1986), which perhaps goes with the similar conceptual propositions.

Thus, in this paper, we conceptualized that the role of organizational culture in fostering creativity and innovation should be taken into considerations. As scholars also mentioned, the culture of an organization may be a contributing factor in the extent to which creativity and innovation occur in an organization (Horiguchi & Pienaar, 1994; Johnson, *et al.*, 1996; Tesluk, *et al.*, 1997; Tushman, *et al.*, 1997). In some organizations, actions are taken to stimulate creativity and innovation. Such actions include involving personnel in decision making, recruiting and appointing personnel with creativity characteristics, setting standards for work performance and giving regular feedback. Clearly, innovation is widely recognized as the key to an organization's survival and success in today's intensely competitive business environment (Taghizadeh *et al.*, 2014). Therefore, a framework in the domain of culture and innovation is proposed in this paper. It is concluded that

organizational culture has an influence on fostering creativity and improving innovation activities.

2. Conceptualization and Propositions

There are controversial ideas of giving definitions of innovation and creativity. However, it is totally agreed with Amabile (1983, 1996, 1997, 1998) that creativity is viewed as a process of idea development for a new product. Similarly, creativity refers to producing new ideas (Gurteen, 1998). It is also seen as the front end of the innovation process (Majaro, 1988), and affects work environment. Meanwhile, innovation refers to changing, developing and implementing these new ideas into products and services (Gurteen, 1998). Another idea proposed by Majaro (1988) is that innovation typically occurs through four stages, namely idea generation, screening, feasibility and implementation. More specifically, Majaro (1988) also mentioned that controversial thinking process can occur in creativity, whereas the united thinking process is required in innovation.

In addition, creativity is considered as a fundamental source for organizational innovation (Amabile, 1997). Expertise, creativity skills, and intrinsic motivation are three main components that contribute to individual or the creativity of small teams. (Figure 1) (Amabile, 1983). In this view, expertise forms the basis for all creative work, and it is viewed as a set of cognitive pathways for dealing with a difficulty or doing a given task (Newell & Simon, 1972). Meanwhile, creativity skills mention creative performance. However, it is emphasized that motivation plays a role as a psychological mechanism. Working conditions actually have an impact on workers' creativity despite that other components have been ignored in this setting (Shalley, *et al.*, 2004; Zhou & Su, 2010, as cited in Anderson, *et al.*, 2014).

Changing from creativity to innovation is considered as an important step to set up an innovative organization. It is true that companies get the best interests from innovation and creativity compared to the development of direct sales or the improvements in efficiency. Clearly, companies can also get social advantages when the process of an effective creativity and innovation process is set up, which provides working staff with motivation (Cook, 1998). Therefore, to follow the rapid change of environment, conducting studies on how to

implement new ideas into innovative outcomes in an effective way is necessary for organizations (Klijn & Tomic, 2010).

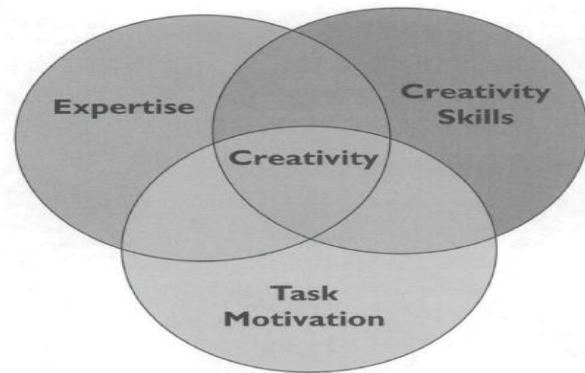


Figure 1: Component model of creativity
Source: Amabile, (1983)

2.1 Organizational culture

Organizational culture or corporate culture is defined in different ways by scholars and researchers. A common definition of organizational culture is a set of values, beliefs, and behavior patterns that form the core identity of organizations, and help shape the employees' behavior (Deal & Kennedy, 1982; Malekifar, *et al.*, 2014). In particular, organizational culture is viewed as a conscious mental map influencing the way in which the context is defined. The selection mechanism and values for people's events are provided by organizational culture (Jones, 1983). It also refers to a set of beliefs, symbols, ritual, myths, and practices that developed gradually in organizations (Pheysey, 1993). More specifically, organizational culture involves the important values supported by organizations (Deal & Kennedy, 1982). Moreover, Schein (1985) claimed that a given group can discover or develop organizational culture and views it as a fundamental assumption. It also involves learning to know how to solve the problems related to external adaptation and internal integration as well. It is also suggested that new members of the organization should know these important values positively. In fact, culture refers to assumptions that are learned and shared by a group throughout its history. Culture is also considered as a system that is controlled to form standards of behavior. Hammond, *et al.* (2011) suggested that the exploration of jobs and

environmental factors should be linked with the phases of innovation procedure.

Jantz (2014) also emphasized that organizational innovation is a complicated process that requires creativity, risk taking, trial and error, dealing with failure, and coping with progressively turbulent external environment. It might be arguable that leaders and administrators can have a significant effect on the culture and innovativeness of the organization. Many scholars have reported that innovation can be successfully managed and sustained over time. Yoshida, *et al.* (2014) asserted that it is also essential for servant leaders to develop group norms and interest to sanction employees' creativity. Particularly, they require servant leaders to generate followers' trust, recognition and awareness. Meanwhile, creativity involves the generation of novel and useful ideas of individuals or teams, and innovation includes both the generation of ideas and the selection of some parts of these ideas for implementation (Clegg, *et al.*, 2002; Hammond *et al.*, 2011).

According to literature, organizational culture influences the success of organizations. In fact, success can be achieved when the formation and improvement in organizational culture in organizations are paying attention. It is also proposed that organizational culture should be appropriate to the values, attitudes and behavior of managers (Masnan *et al.*, 2008). In addition, Goffee and Jones, (1998) categorized organizational cultures into four types including networked culture, mercenary culture, fragmented culture and communal culture. In particular, networked culture involves both high levels of sociability and low levels of solidarity, whereas mercenary culture refers to a lower degree of sociability and a high degree of solidarity. In contrast, fragmented culture is a low degree of sociability and solidarity, and communal culture is characterized as both a high degree of sociability and solidarity.

2.2 Creativity

There are many ways to define creativity in literature (Amabile, 1983; Mumford & Gustafson, 1988). However, researchers puts much emphasis on one or more of three aspects of creativity including (a) *process* (*i.e.*, the nature of thinking process or thoughtful and critical activity by which new insights or problem solutions are developed); (b) *person* (*i.e.*, individuals' characteristics and intellectual abilities); (c) *product* (*i.e.*, the distinctive products with good qualities due to creativity) (Arad *et al.*, 1997). Creativity is also described as something new and useful (Amabile, 1996; Zhou & Shalley, 2003). Hammond *et al.* (2011)

stated that the creativity phase consists of a basic stage during which issue interpretation and problem identification take location, and then an active stage in which alternative ideas and solutions are generated. Ford (1995) viewed creativity as a context-specific evaluation which can vary among groups, organizations and cultures and can also change over time. According to Cook (1998), creativity brings benefits to organizations due to a competitive way. Clearly, to compete with other products in the market effectively, new products are required to make more customers feel satisfied and preferred due to its diversity and good quality (Mc Adam & McClelland, 2000).

2.3 Innovation

Hammond *et al.* (2011) defined that innovation includes both an ideation and an implementation phase. Ideation refers to the generation of new ideas and solutions that current techniques are used for the new situation. In organizational settings, innovation is related to using new ideas for reconstruction, cost reduction, communication improvement, new technology implementation for production processes, implementation of new organizational structure and making new personnel plans or programmers (Masnan *et al.*, 2008). West and Farr (1990) viewed innovation as changes with the purpose of getting more profits due to competitive ways. It refers to the adoption of work or the construction of new technologies. Moreover, it involves the promotion of organizational structure or managerial practice. Hogan and Coote (2014) stated that innovation plays a crucial role in organizational success. Consequently, research on processes that support innovation should be of interest to experts and professionals as well. Innovation is a prerequisite for achieving in increasingly dynamic and aggressive market segments.

3. Link between Organizational Culture, Creativity, and Innovation

To increase the quality of organizational life, creativity and innovation play an integral role in society. Therefore, the organizations should be creative to bring innovative products and services to meet customers' desire (McLean, 2005). However, the importance of creativity and innovation in organizations has not much emphasized in the area of organizational culture (Oldham & Cummings, 1996). In actual fact, organizations get successful as a result of organizational culture (Martins & Terblanche, 2003). Previous researchers suggested that organizational culture play a key role in the implication of

innovation (Taghizadeh & Rahman, 2013). Creativity and innovation are affected by shared values, beliefs, and behavior expected of members of an organization in two ways. Firstly, due to the process of socialization in organizations, individuals know how to behave positively and functional activities effectively. According to shared norms, individuals will get creative and innovative behavior that helps form the part of the way in which the organization operates. Secondly, the basic values, assumption and beliefs perform in established forms of behavior and activity regarded as structure and policy practice, management practice and procedure. Creativity in the workplace is directly affected by this structure, which helps pursue the exploration of new ideas. In this way, individuals are aware of what are considered valuable and know how to behave or act well in their workplace.

Martins and Terblanche (2003) proposed that the integrated interactive model refers to cultural values and norms that have an impact on creativity and innovation. The organizational culture influences the degree to which creativity and innovation occur in the organization by determinants of organizational culture (Martins & Terblanche, 2003), namely strategy, structure, support mechanisms and behavior that encourages innovation. In terms of strategy as a determinant of organizational culture, creativity and innovation mention a shared view and duty of the future. It means that employees should understand the vision and mission which support creativity and innovation and identify the gap in present situations. Meanwhile, structure determinant refers to co-operative teams who strongly affect the degree to which creativity and innovation take place in organizations. It is true that well-established work teams should allow individual talents to promote creativity and innovation effectively. It is also important to encourage the members of the team to trust and respect each other as well as understand views and functioning styles of others. Also, the members of the team should be motivated to raise various ideas and improve their communication. On the other hand, support mechanisms could help create working conditions for the promotion of creativity and innovation by emphasizing rewards and recognition, the availability of resources, time, information technology and creative people. The final determinant of organizational culture refers to behavior that encourages innovation. It is regarded as the way in which mistakes should be taken into account and corrected. It also involves encouragement to produce new ideas and continuous learning orientation, taking risks and experimenting, and handling conflict constructively.

Based on the discussions above, propositions are listed as follows:

Proposition 1. Organizational culture fosters creativity of employees in an organization.

Proposition 2. Organizational culture enhances the level of implementation of innovation greatly.

Proposition 3. The more the creativity in organization, the more implementation of innovation.

The conceptual framework for this study is developed and illustrated in Figure 2. The framework is constructed with creativity and innovation as dependent variables, organization culture as independent variable.

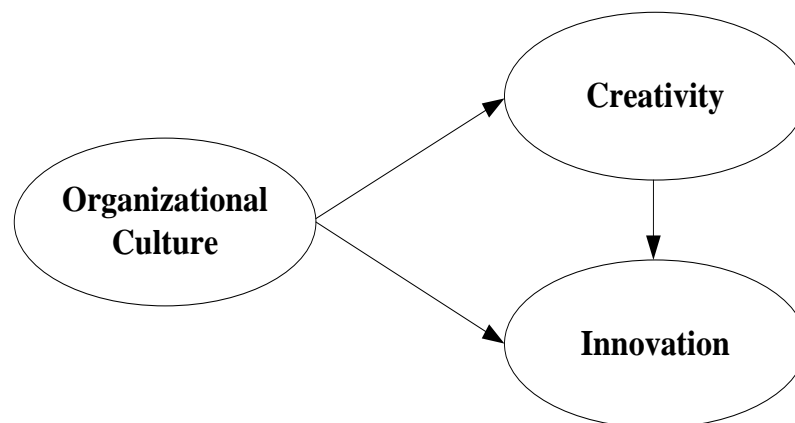


Figure 2: conceptual research framework

4. Future Research

Creativity involves the generation of new ideas, whereas innovation includes implementation of new ideas. Organizations are mostly knowledge based organizations and their success and survival depend on creativity and innovation. In the current research framework, organizational culture is proposed to have a relationship with creativity and innovation. Furthermore, creativity is proposed to have an effect on innovation. Future research can use this model to empirically test the strength of the relationship between organizational culture, creativity, and innovation. Through the empirical studies based on the

proposed framework, this research is expected to fill some of the gaps in previous literature.

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