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Implications of Creativity and Innovation of Organizational Culture - A Review

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Abstract

Innovation is emerging as the single most important factor to influence business success in today's extremely competitive and dynamic environment. Accordingly, scholars as well as practitioners are contributing to a rapidly growing body of knowledge for the effective management of innovation. However, although the literature on innovation is growing rapidly, surprisingly, very little attention is being paid to the organizational and managerial issues pertaining to creativity, which is another important success factor. Moreover, previous studies highlight the importance of innovation and creativity and mention that nowadays organizations are mostly knowledge based organizations and their success and survival depend on creativity, innovation, discovery and inventions. A number of researchers have emphasized the importance of organizational culture in this context. Organizational culture appears to have an influence on the degree to which creativity and innovation are stimulated in an organization.

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1. Introduction

Post-industrial organizations today are knowledge-based organizations and their success and survival depend on creativity, innovation, discovery and inventiveness (Masnan, et. al., 2008). An effective reaction to these demands leads not only to change, in individuals and their behavior, but also to innovative changes in organizations to ensure their existence (Read, 1996). It appears that the rate of change is accelerating rapidly as new knowledge, idea generation and global diffusion increase (Kim & Mauborgne, 1999). Creativity and innovation have a role to play in this change process for survival. The result is that organizations and leaders try to create an institutional framework in which creativity and innovation will be accepted as basic cultural norms in the midst of technological and other changes. Researchers like Ahmed (1998), Martell (1989), Pheysey (2002), Robbins (1997) and Schuster (1986) have emphasized the importance of organizational culture in this context. Organizational culture appears to have an influence on the degree to which creativity and innovation are stimulated in an organization.

In some organizations, action is taken to stimulate creativity and innovation. The right steps may have been taken, such as involving personnel in decision making, recruiting and appointing personnel with creativity characteristics, setting standards for work performance and giving regular feedback, but creativity and innovation are hampered in some way. The culture of an organization may be a contributing factor in the extent to which creativity and innovation occur in an organization (Tushman and Moore, 1988). The current organizational culture and the demands of creativity and innovation may lead to a conflict situation. Innovation is widely recognized as the key to an organization's survival and success in today's intensely competitive business environment.

A recent cover story in Fortune asserts, "Innovating-creating new products, new services, new ways of turning out goods more cheaply-has become the most urgent concern of corporations everywhere" (Labich, 1988). Management researchers, educators and practitioners are all exhibiting a great deal of interest in innovation. Scholarly findings and experience-based prescriptions are together contributing to a rapidly growing body of knowledge on management of innovation (for a representative sampling of the literature see Katz, 1988; Tushman, &

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Moore, 1988). However, for all the attention showered on innovation, it's very fountainhead, creativity, has received only sporadic and relatively much less serious attention in the management field. Park, Song, Yoon, and Kim (2013) have described that in specific, organizational culture that encourages innovation has been regarded an important factor because innovation goes past individual-level idea generation. Many researchers have tried to examine the impact of organizational climate on innovative behavior.

2. Literature review

Organizational culture or corporate culture is defined in many ways by various authors 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 shaping the employees' behavior (Deal and Kennedy, 1982). Organizational culture also acts as a cognitive map that influences the way in which the context is defined, for it provides the selection mechanism or norms and values which people events (Jones, 1983). It is also a pattern of beliefs, symbols, ritual, myths, and practices that evolved over time in an organization (Pheysey, 2002). Organizational culture is also the dominant values espoused by an organization or a set of values and assumptions that underline the statement: "this is how we do things around here" (Deal and Kennedy, 1982). Schein (1985) defined organizational culture as a pattern of basic assumptions invented, discovered or developed by a given group as it learns to cope with its problem of external adaptation and internal integration. These values, then taught to new members of the organization as the correct way to think and feel in relation to those problems. Culture is the sum total of all the shared, taken for granted assumptions that a group has learned throughout its history. Culture is also the structure and control system to generate behavioral standards. (Hammond, Neff, Farr, Schwall, & Zhao, 2011) have commended that the result of investigation pointed out that individual aspect an investigation the job, and factors of the surroundings were reasonably connected with phases of the innovation procedure.

Jantz (2014) has remarked that organizational innovation is a complicated process that requires creativity, risk taking, trial and error, dealing with failure, and coping with a progressively turbulent external environment. Most might agree that leaders and administrators can have a significant effect on the culture and innovativeness of the organization. This study has

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discovered that there are important determinants related to the leadership team, decision making, and organizational structure that can affect innovation. Innovation almost always requires an experience with the unknown. Many scholars have reported that innovation can be successfully managed and sustained over time. Innovation is not dependent on individual creativity and can be systematized anyplace "because it has everything to do with organization and attitude and very little to do with growing solitary genius". Yoshida, Sendjaya, Hirst, and Cooper (2014) have recommended that it is also essential for servant leaders to develop group norms and interest to sanction employee creativity. Particularly, they require for servant leaders to generate followers' trust, recognition and awareness that the leaders represent the team's values, norms and attitudes becomes more crucial when creativity and innovation is a concern organizational target. It is essential to note that in the organizational context, many scholars identify the idea of creativity from that of innovation.

Whilst creativity involves the generation of novel and useful ideas by individuals or teams, innovation includes both generation of ideas and the selection of some part of these ideas for implementation by internal followers, such as senior executives, in an organization Clegg, Unsworth, Epitropaki, and Parker (2002) and Hammod et al., (2012). The dimension of culture defined by Martins (1997) partly includes mission and vision (determines personnel's understanding of the vision, mission and values of the organization and how these can be transformed into individual and team goals and objectives); means to achieve objectives (determines the way in which organizational structure and support mechanisms contribute to the effectiveness of the organization); management processes (focuses on the way in which management processes take place in the organization. It includes aspects such as decision making, formulating goals, innovation processes, control processes and communication); interpersonal relationships (focuses on the relationship between managers and personnel and the management of conflict); and leadership (focuses on specific areas that strengthen leadership, as perceived by personnel).

According to related literature, it appears that organizational culture played an important role in promoting organizational success, and it could only be achieved by assuring an

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appropriate culture being developed or shaped in the organization that matches the manager's values, attitudes and behavior (Masnan et al., 2008).

### *Dimensions of organizational culture*

■ **Mission and vision:** determines the personnel's understanding of the vision, mission and value of the organization and how these can be transformed into measurable individual and team goals and objectives.

■ **External environment:** determine the degree of focus on external and internal customers and also the employees' perception of the effectiveness of community involvement.

■ **Management processes:** focuses on the way in which management processes take place in the organization. It includes aspects such as decision making, innovation processes, control processes and communication.

■ **Interpersonal relationships:** focuses on the relationship between the management of conflict.

■ **Leadership:** focuses on specific areas that make stronger leadership, as perceived by personnel.

■ **Employee needs and objectives:** focuses on the integration of employees' needs and objectives with those of the organization as perceived by employees/personnel. (Martins, 1989).

Four Organizational Cultures

■ **Networked Culture:** In the double S cube, this type of organizational culture is characterized by high levels of sociability and low levels of solidarity.

■ **Mercenary Culture:** In the double S cube, this type of organizational culture is characterized by a low degree of sociability and a high degree of solidarity.

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■ **Fragmented Culture:** In the double S cube, this type of organizational culture is characterized by a low degree of sociability and a low degree of solidarity.

■ **Communal Culture:** In the double S cube, this type of organizational culture is characterized by both a high degree of sociability and a high degree of solidarity. (Gaffe and Jone, 1998).

The Double S Cube
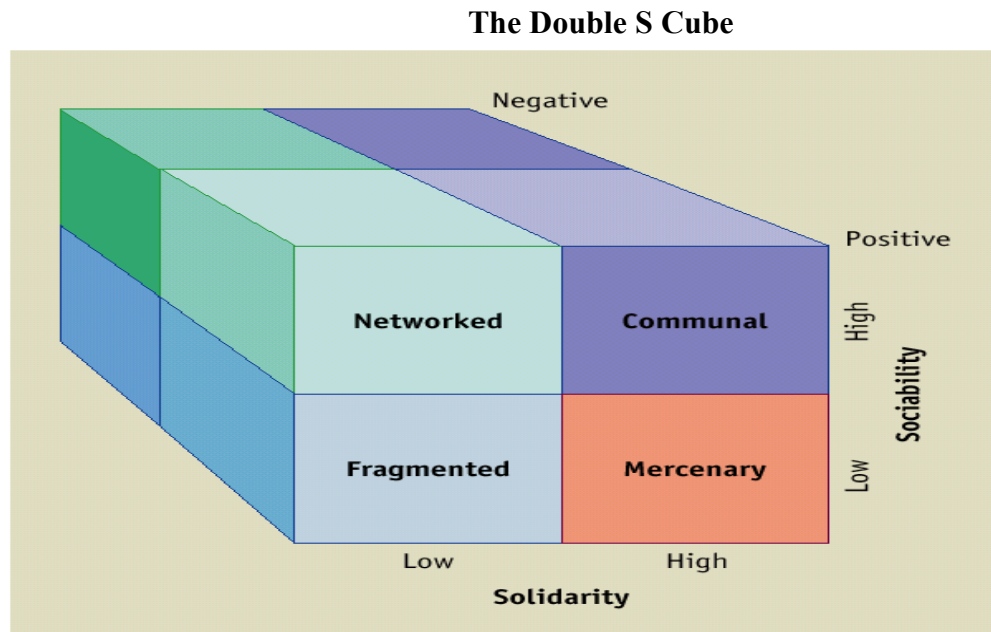
Source: Gaffe and Jone (1998)

3. Creativity

Creativity is described as something novel as well as useful Amabile (1996);(Zhou & Shalley, 2003). Some definitions of creativity focus on the nature of thought processes and intellectual activity used to generate new insights or solution to problems. Other definitions focus on the personal characteristics and intellectual abilities of individuals, and still others focus on the product with regard to the different qualities and outcomes of creative attempts (Arad, Hanson, & Schneider, 1997). Creativity has been defined in many different ways in the existing literature (see, for example, Ambile 1983; Barron1981; Mumford & Gustafson 1988). Typically, the definitions of creativity focus on one or more of the following three different aspects; (a) *process:* the nature of thought process or mental activity by which new insights or problem

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solutions are developed; or (b) *person:* the distinctive personality traits and cognitive abilities of the creative individual; or (c) *product:* the distinguishing qualities of the outcome of creative endeavor. Hammond et al. (2011) have explained 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. Within the Innovation Implementation stage, the basic phase includes assessment and choice of ideas and then an action stage that involves the actual implementation and application of the chosen remedy in the work state.

Ford (1995) explained creativity as a context-specific evaluation can vary from one group, one organization and one culture to another and it can also change over time. Evaluating creativity should therefore be considered at the level of a person, organization, industry, profession, and wider. Cook (1998) considered creativity as an element of competitive advantage for organizations. The most profitable new products will be those that meet the customer needs more effectively than the competitor's products, and are therefore preferred by more customers (McAdam and McClelland, 2002). Amabile (1983, 1996) defines creativity as the process involved in developing an idea for a new product. Gurteen (1998) defines creativity as generation of ideas, whereas innovation is putting these ideas into actions by sifting, refining and implementing.

4. Innovation

Hammond et al. (2011) have indicated that that innovation includes both an ideation and an implementation phase. We utilize the expression "ideation" to recommend that this stage includes not only the generation of new ideas (as in creativity), but also the generation of solutions that use current techniques to new situations (as in innovation). Definition of innovation found in the literature varies; some are general and broad, while others focus on specific innovations like the implementation of an idea for a new product or service. In an organizational environment, examples of innovation are the implementation of ideas for restructuring, or saving of costs, improved communication, new technology for production processes, new organizational structure and new personnel plans or programmers (Masnan et al., 2008).

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According to West and Farr (1990), innovation is regarded as something new which leads to change. It is also the intentional introduction and application within a role, group or organization of ideas, processes, products or procedures, new to the relevant unit of adoption, designed to significantly benefit the individual, the group, organization or wider society. Innovation in organizational settings is variously defined as referring to: (a) adoption of work or production technologies new to the organization, or (b) changes in organizational structure or managerial practices, or (c) market introduction of the fruits of in house research and development activities. For our purposes, innovation is defined as the successful creation, development and introduction of new products, processes or services.

Hogan and Coote (2014) have suggested that innovation is crucial to organizational success and consequently the research of 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. Organizations are sociable in addition to physical constructions and therefore a comprehending of organizational culture can assist to form the process of innovation and company overall performance.

5. Importance of Creativity and Innovation

Innovation and creativity benefit companies beyond direct sales growth or efficiency improvements. A company that establishes an effective creativity and innovation process is also likely to realize social benefits that arise from team working and employee motivation (Cook, 1998). Majaro (1988) looks at innovation as a process where ideas are generated and transformed for implementation to business products and services. Creativity is seen as the front end of the innovation process. Innovation typically occurs through four stages, viz. Idea generation, screening, feasibility and implementation. Hence he believed that creativity required divergent thinking process, while innovation a convergent thinking one.

6. Link between Organizational Culture, Creativity and Innovation

Creativity, as expressed and brought to life through organizations, plays a critical role in society. Whether the organization is a business that is bringing creativity to life through

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innovative products and services that customers desire, therefore fulfilling customers' needs, creating jobs, and contributing to the economy, or whether the organization is the local government using ideas in a creative way to meet the needs of the community, therefore increasing the quality of organizational life, creativity and innovation play an integral role in serving all of us (Laird D. McLean, 2005). Somewhat surprisingly, given the importance of creativity and innovation in organizations, there has been relatively little empirical work done in the area of organizational culture and creativity and innovation (Oldham and Cummings (1996). The author conducted a search of the electronic catalogs of several major university libraries, a number of journal indexes, and Google.com. Much of what has been written on the topic has appeared in the popular press and in books written for practitioners, with little apparent empirical evidence to back up the content of those books.

According to Martins and Terblanche (2003), organizational culture seems to be a critical factor in the success of any organization. Successful organizations have the capacity to absorb innovation into the organizational culture and management processes. The basic elements of an organizational culture (i.e. Shared values, beliefs, and behavior expected of members of an organization) influence creativity and innovation in two ways. First, through the socialization process in organizations, individuals learn what behavior is acceptable and how activities should function. Norms develop and are accepted and shared by individuals.

In accordance with shared norms, individuals will make assumptions about whether creative and innovative behavior forms part of the way in which the organization operates. Secondly, the basic values, assumption and beliefs become enacted in established forms of behaviors and activity and are reflected as structure, policy practices, management practices and procedures. These structure impacts directly on creativity in the workplace, for example by providing resource support to pursue the development of new ideas. In this way individuals in organizations come to perceive what is considered valuable and how they should act in the workplace. Martins and Terblanche (2003) described an integrated interactive model that synthesis the cultural values and norms that influence creativity and innovation. The model shows the dimensions that describe the organizational culture have an influence on the degree to

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which creativity and innovation take place in the organization. The influence can be divided into five determinants of organizational culture. It includes:

i. Strategy – the origin of creativity and innovation lies in a shared vision and mission, which are focused on the future. It is also important that employees should understand the vision and mission (which support creativity and innovation) and the gap between the current situation, and the mission and vision to be able to act effectively and innovatively.

ii. Structure – co-operative teams are identified by some authors as having an influence on the degree to which creativity and innovation take place in organizations. Well-established work teams which allow for diversity and individual talents that complement one another should promote creativity and innovation. The team member should be able to trust and respect one another, understand one another's perspective and style of functioning, solve differences of opinion, communicate effectively, be open to new ideas and question new ideas.

iii. Support mechanisms – support mechanisms should be present in the culture of an organization to create an environment that will promote creativity and innovation. With the appearance of rewards and recognition, and the availability of resources mainly time, information technology and creative people, are mechanisms that play this role.

iv. Behavior that encourages innovation – values and norms that encourage innovation manifest themselves in specific behavioral forms that promote or inhibit creativity and innovation. It includes the way in which mistakes are handled, encouragement to generate new ideas and continuous learning orientation, taking risks and experimenting, and handling conflict constructively.

v. Communication – an organizational culture that supports open and transparent communication, based on trust, will have a positive influence on promoting creativity and innovation. An open-door communication policy, including open communication between individuals, teams and departments to gain new perspectives, is therefore necessary to create a culture supportive of creativity and innovation.

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7. Recommendation

A number of recommendations can be suggested, for example:

Encouraging culture – An organizational culture in which personnel are encouraged to generate new ideas, without being harmed, and where the focus is on what is supported instead of on what is not viable, should encourage creativity and innovation (Filipczak, 1997). A fair evaluation of ideas will also support and encourage creativity (Amabile, 1996).

Continuous learning orientation culture - Several authors (Arad et al., 1997; Lock and Kirkpatrick, 1995; Samaha, 1996) indicate that an organizational culture that supports a continuous learning orientation should encourage creativity and innovation. By focusing on being inquisitive, encouraging personnel to talk to one another (e.g. to clients within and outside the organization to learn from them), keeping knowledge and skills up to date and learning creative thinking skills, a learning culture can be created and maintained.

Competitiveness culture - Research by Nÿstrom (1990) indicates that the most creative and innovative departments in an organization regard competitiveness as an important aspect of their culture. According to Read (1996, p. 226), competitiveness in organizations has shifted to the creation and assimilation of knowledge. In creating a culture of competitiveness managers should reach out to internal and external knowledge, encourage debating of ideas, create an environment in which constructive conflict will lead to information flow, support projects based on information flow and actively manage the choice of organizational design.

Supports change culture - Support for change is a value that will influence creativity and innovation positively (Arad et al., 1997; Eyton, 1996; Glor, 1997; Johnson, 1996; Tushman and O'Reilly, 1997). Managers can create a culture that supports change by looking for new and improved ways of working; creating a vision that emphasizes change and revealing a positive attitude towards change (Arad et al., 1997; Tushman and O'Reilly, 1997). An example of a culture in which change is supported is to expect personnel, when stating their annual objectives for the year, to indicate how they intend changing their work methods.

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Open and transparent communication culture - An organizational culture that supports open and transparent communication, based on trust, will have a positive influence on promoting creativity and innovation (Barret, 1997; Robbins, 1997). Teaching personnel that disagreement is acceptable, since it offers the opportunity to expose paradoxes, conflict and dilemmas, can promote openness in communication. At the same time personnel must feel emotionally safe to be able to act creatively and innovatively and should therefore be able to trust one another, which in turn is promoted by open communication. An open-door communication policy, including open communication between individuals, teams and departments to gain new perspectives, is therefore necessary to create a culture supportive of creativity and innovation (Filipczak, 1997; Frohman and Pascarella, 1990; Samaha, 1996).

8. Conclusions

Creativity and innovation are two various principles in that creativity involves the generation of new ideas although innovation includes the two generations and implementation of new ideas, although innovation is emerging as the single most important factor to influence business success in today's intensely competitive and dynamic environment. Accordingly, scholars as well as practitioners are contributing to a rapidly growing body of knowledge for the effective management of innovation. However, although the literature on innovation in growing rapidly, surprisingly, very little attention is being paid to the organizational and managerial issues pertaining to creativity, which is a very important success factor. Moreover, previous studies highlight the importance of innovation and creativity and mention that nowadays organizations are mostly knowledge based organizations and their success and survival depend on creativity, innovation, discovery and invention. A number of researchers have emphasized the importance of organizational culture in this context. Organizational culture appears to have an influence on the degree to which creativity and innovation are stimulated in an organization.

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