Organizational learning culture, innovative culture and innovations in South Korean firms

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ABSTRACT

The aim of this paper is to present and test a model of innovativeness improvement based on the impact of organizational learning culture. The concept of organizational learning culture (OLC) is presented and defined as a set of norms and values about the functioning of an organization. They should support systematic, in-depth approaches aimed at achieving higher-level organizational learning. The elements of an organizational learning process that we use are information acquisition, information interpretation, and behavioral and cognitive changes. Within the competing values framework OLC covers some aspects of all four different types of cultures: group, developmental, hierarchical, and rational. Constructs comprising innovativeness are innovative culture and innovations, which are made of technical (product and service) and administrative (process) innovations. We use data from 201 Korean companies employing more than 50 people. The impact of OLC on innovations empirically tested via structural equation modeling (SEM). The results show that OLC has a very strong positive direct effect on innovations as well as moderate positive indirect impact via innovative culture.

1. Introduction

Business and technological changes are threatening organizational sustainability and modern management faces many challenges (Drucker, 1999). Organizations are continually under competitive pressures and forced to re-evaluate come up with new innovations. 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 (Damanpour, 1991; Liao, Fei, & Liu, 2008; Nonaka & Yamanouchi, 1989; Tushman & Nadler, 1986; Zaltman, Duncan, & Holbeck, 1973). Innovations have always been essential for the organizations' long-term survival and growth and currently play even more crucial role in the company's future to follow the rapid pace of markets' evolution (Santos-Vijande & Álvarez-González, 2007).

In the literature innovations are differentiated as product vs. process (Abernathy & Utterback, 1978; Davenport, 1993; Han, Kim, & Srivastava, 1998), radical vs. incremental (Atuahene Gima, 1996; March, 1991), and technical vs. administrative (Daft, 1978; Damanpour, Szabat, & Evan, 1989; Han et al., 1998; Weerawardena, 2003). Moreover, a true innovative firm must be embedded of a strong culture that stimulates the engagement in innovative behavior. Innovativeness is hence comprised of two constructs – innovations and innovative culture.

The body of literature that has studied the relation between organizational learning and innovation is growing and suggests that organizational learning would enhance the innovative capacity of an organization and that firms can only innovate if they develop an efficient learning of their resources, competencies and capabilities (Akgün, Keskin, Byrne, & Aren, 2007; Alegre & Chiva, 2008; Argyris & Schön, 1978; Calantone, Cavusgil, & Zhao, 2002; Chipika & Willson, 2006; Helfat & Raubitscheck, 2000; Sinkula, Baker, & Noordewieer, 1997; Stata, 1989). Similarly, studies increasingly stress organizational culture as a key to managing innovation (e.g. Jassawalla & Sashittal, 2002; Khazanchi, Lewis, & Boyer, 2007). Yet, there is a lack of investigation of the relation of organizational learning culture and innovativeness. What is too often neglected is not just knowledge needed, acquired and processed, but rather a right set of attitudes and values needed for innovations to occur (see e.g. Terziovski, 2008).

The basic idea behind this paper is that organizational learning culture is very important when trying to improve innovativeness. The paper addresses organizational learning culture, which is proposed and defined as a set of norms and values about the functioning of an organization. It is a combination of different culture types

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within the competing values framework (Denison & Spreitzer, 1991; McDermott & Stock, 1999). The purpose of the paper is to present and test a model of innovativeness improvement. Hence, the focus of this study is on the impact organizational learning culture has on innovativeness (innovative culture and innovations).

The outline of the paper is as follows: Section 2 reviews the relevant literature in order to demonstrate our specific contributions. Section 3 conceptualizes the research model leading to the development of suitable hypotheses. Section 4 aims to present a methodological framework for the study, while Section 5 provides results of data analysis. Section 6 concludes with a summary of the main findings, discusses them from theoretical and practical standpoints, and outlines directions for future research together with the limitations of the study.

2. Literature review

2.1. Organizational culture and innovations

Many different people have used the word 'culture' to explain a variety of phenomena. As each one tends to adopt a slightly different perspective, there is no universally accepted definition (Rollinson & Broadfield, 2002). Ott (1989) identified over 70 different words or phrases used to define organizational culture. One of the first attempts was by Jacques (1952) who claimed that organizational culture is the customary and traditional way of doing things, which is shared to a greater or lesser degree by all members, and which the new members must learn and at least partially accept in order to be accepted for the firm's services. Harrison (1972) focused more on culture itself rather than on its effects and defined it as ideologies, beliefs, and deep-set values that occur in all firms and are prescriptions for the ways in which people should work in these organizations. Peters and Waterman (1982) saw culture as a dominant and coherent set of shared values conveyed by symbolic means such as stories, myths, legends, slogans, anecdotes and fairy tales. Deal and Kennedy defined organizational culture as "the way things get done around here" (1982, p. 90).

Schein (1992) perceived organizational culture 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. Such a pattern has worked well enough to be considered valuable and, therefore, to be taught to new mem-bers as the correct way to perceive, think and feel in relation to those problems. Wiener claimed that "most researchers of organizational culture agree that shared values are a key element in the definition of culture" (1988, p. 534).

Organizational culture has many dimensions and variations. The competing values framework (CVF) categorizes them in a two-dimensional space (Denison & Spreitzer, 1991); see Fig. 1. Each axis represents contrast orientations. The first dimension stands for flexibility vs. control orientation. The second dimension describes the focus on activities occurring within or outside the organization. The combination of both dimensions defines four types of organizational culture: group, developmental, hierarchical, and rational. Group culture emphasizes flexibility and change and a focus on the internal organization. Developmental culture also emphasizes flexibility, but is externally focused. Rational culture is externally oriented, but focused on control. Hierarchical culture emphasizes stability; however, the focus is on the internal organization. Characteristics of all four types of cultures are represented in Fig. 1 and are further described in Denison and Spreitzer (1991), McDermott and Stock (1999) and Prajogo and McDermott (2005).

An important assumption of CVF is that each type of culture is an ideal type. The culture in an organization is a combination of different culture orientations, although usually one type is more dominant than the others. "A high rating on one dimension, e.g. internal orientation, does not exclude high rating at the other end, e.g. external orientation" (McDermott & Stock, 1999, p. 525). Further, Denison and Spreitzer (1991) argued that overemphasizing any culture type may become dysfunctional and the strength of the quadrant may even become a weakness.

While there is a consensus that organizational culture is critical in any change initiative, no such consensus exists as to what type of organizational culture best supports business transformation and innovativeness. A lack of empirical investigations into organizational culture on various aspects of innovativeness is still noted. Only a few studies have tackled some aspects of this issue in recent years (e.g. Kandemir & Hult, 2005; Kusunoki, Nonaka, & Nagata, 1998; Martins & Terblanche, 2003; Merx-Chermin & Nijhof, 2005; Sarros, Cooper, & Santora, 2008). Findings of Prajogo and McDermott (2005) indicate that an organization can implement different, even opposite culture types, in harmony. This opened up the question of which combination of culture types is most appropriate for innovations. Škerlavaj, Indihar Štemberger,
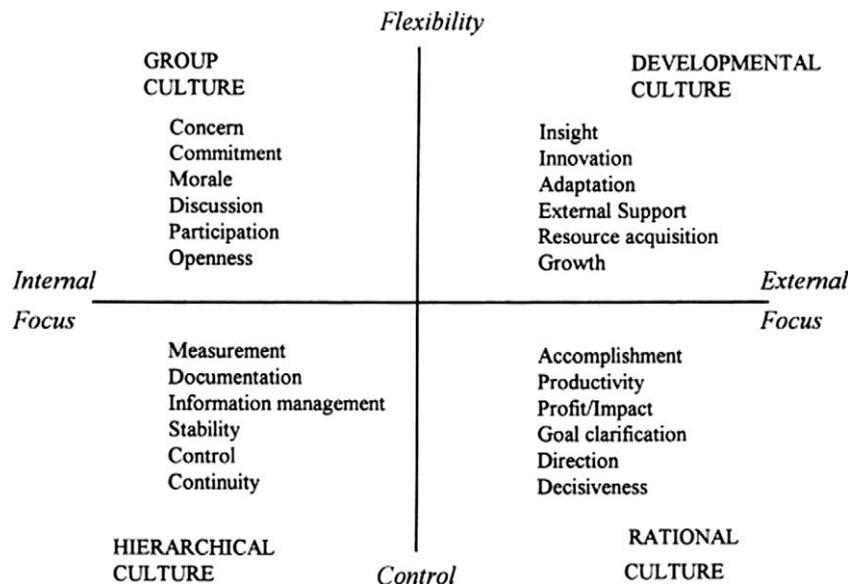

Fig. 1. The competing values framework (Denison & Spreitzer, 1991; McDermott & Stock, 1999).