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Adaptive culture and product/service innovation outcomes

Antonio J. Verdu-Jover*, Lirios Alos-Simo, Jose-Maria Gomez-Gras

Department of Economic and Financial Studies, Miguel Hernandez University, 03202 Elche, Spain

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ABSTRACT

Organizational culture has been used and defined extensively as a relatively stable, enduring set of values, beliefs, assumptions, and symbols shared in the organization. Based on this conception, researchers have studied the relationship between different types of cultures and innovation outcomes. In contrast to this static perspective, the dynamic systems perspective views culture as not necessarily determined by internalized and shared values. Rather, as cultures are constantly receiving environmental pressures that require continuous adaptation, they have an inherent attribute of change, which has been called adaptive culture. We focus on adaptive culture as an antecedent of product/service innovation outcomes, since innovations require a progressive upgrading of shared values, assumptions, and beliefs. Based on the thinking and acting schema, we propose two determinants of adaptive culture that help us to understand how culture can evolve to facilitate product/service innovation outcomes. We propose that structural flexibility and reflexive learning positively affect product/service innovation outcomes by creating an adaptive culture. A 190-company sample is used to analyze the theoretical model variables' relationship to a culture that can change its values to improve product/service innovation outcomes. The results support the theoretical model, and lead to some implications for the management of culture.

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1. Introduction

Organizational culture has been proposed as an antecedent of innovation by identifying different types of organizational culture and how they support innovation (Büschgens, Bausch, & Balkin, 2013; Cooper, 2011; Hurley, 1995). These studies are based on different typologies of culture (Quinn & Spreitzer, 1991). One of the most influential typologies is that of Dean and Kennedy (1982), which suggests that culture is the result of the pressures of the environment. In line with this perspective, Quinn and Rohrbaugh (1983) proposed the competing values framework, which identifies four types of culture (human relations model, open systems model, internal process model, and rational goal model) based on the dimensions of internal–external orientation and the control–flexibility orientation. Grounded in this framework, Büschgens et al. (2013) conducted a meta-analytic review of organizational culture and innovation and concluded that firms pursuing a radical innovation strategy should establish developmental culture but that group and rational cultures also suit innovative

organizations' goals. Another study, derived from the Quinn and Rohrbaugh (1983) model, related adhocracy and hierarchical cultures to technical innovation (Sanz-Valle, Naranjo-Valencia, Jimenez-Jimenez, & Perez-Caballero, 2011). From this perspective, organizational culture refers to values shared by individuals (Barney, 1986; Hofstede, Bond, & Luk, 1993) that guide the group and crystallize over time (Denison, 1990), forming organizational inertia (Hannan & Freeman, 1984; Hannan, Polos, & Carroll, 2004) and often leading to long-term stasis and lock-in (Sydow, Schreyögg, & Koch, 2009).

In contrast to the static view of culture (Hofstede & Hofstede, 2005), another line of research suggests a dynamic system view in which culture and selves mutually constitute one another (Kitayama, 2002; Markus & Kitayama, 2010). From this perspective, culture is not a static structure but rather the product of loosely organized elements—e.g., meanings, practices, and mental processes (Kitayama, 2002)—such that the behavior of individuals in a group (culture) is not necessarily determined by shared meanings and internalized values. Studies of global team formation (Cramton & Hinds, 2014; Morris, Podolny & Sullivan, 2008) have developed a dynamic view of culture and adaptation to understand why multicultural teams in multinational firms can resolve the tensions within and across nested social structures (Cramton & Hinds, 2014). This team-level perspective of cultural adaptation in global firms

* Corresponding author.

E-mail addresses: ajverdu@umh.es (A.J. Verdu-Jover), liriosalos@umh.es (L. Alos-Simo), gras@umh.es (J.-M. Gomez-Gras).

suggests that firm cultures are not static (Barney, 1986; Hofstede & Hofstede, 2005) but change because they include an adaptive attribute to solve a structuration problem (Boisot & Child, 1999; Rodrigues & Child, 2008).

Kotter and Heskett (1992) studied the attributes that make cultures strong vs. adaptive. In strong cultures, organizational culture is static, defined by specific values, beliefs, assumptions, and symbols (Barney, 1986) internalized by organization members (Saffold, 1988), and organizations with strong cultures rarely change from one type to another. Adaptive cultures, in contrast, evolve and change to face environmental change (Kotter & Heskett, 1992). Along these lines, some authors (Denison, 1990; Denison & Mishra, 1995; Fey & Denison, 2003) identified and validated four attributes of organizational culture that are beneficial to organizational effectiveness (adaptability, consistency, involvement, and mission). All of these studies refer to the adaptive attribute of culture and describe it as the degree to which an organization has the ability to alter behavior, structures, and systems so that they have a positive impact on performance (Geels & Verhees, 2011) under environmental pressure (Zheng, Yang, & McLean, 2010). This dynamic perspective defines adaptive culture as an attribute of culture by which cultures change and respond to environmental conditions (Kotter & Heskett, 1992).

The static view of culture assumes that culture is learned by individuals and carried in their minds and behavior patterns as an immobile schema of shared understanding (Quinn & Rohrbaugh, 1983). In conditions of general volatility of the environment and its pressure to innovate, however, cultures must change and evolve (Sørensen, 2002). So understood, culture need not be forged into an immovable state, but rather is in a state of formation that responds to the requirements of innovation (Burdon, Kang, & Mooney, 2016). For Giorgi, Lockwood, and Glynn (2015), the environmental pressures to innovate require us to understand the dynamic inertia of culture in changing organizations, since innovation requires mobilization of resources (Lo, 2015; Villanueva, Van de Ven, & Sapienza, 2012). Although the dynamic perspective of culture has been recognized as crucial to understanding innovation processes (Collins & Porras, 1994), the key attribute enabling cultures to adapt is still under-specified and the factors that feed this attribute are unidentified (Giorgi et al., 2015). Finding the antecedents of the adaptive attribute of culture permits the firm to manage and transform its culture, something a firm cannot do within the static perspective. Since dynamic perspectives (Kitayama, 2002; Sinclair, 1993) conceive culture as continuously reshaping itself and thus assume that culture is in a formation phase (Halsall & Brown, 2013; Rindova, Dalpiaz, & Ravasi, 2011; Trice & Beyer, 1991), they help us to identify determinants of adaptive culture that managers can handle, with important implications for managers and scholars. We thus propose that organizational culture is a factor that changes, evolves, and can be managed (Child, 1972, 1997), complementing the perspective of culture as an image determined by inertial pressures that prevent organizations from changing in response to environments (Hannan & Freeman, 1977).

If we view culture as dynamic (Kitayama, 2002)—emerging as a set of loosely organizational elements such as practices and cognitive processes—we understand culture as determined by ways of organizational thinking and acting (Cooke & Rousseau, 1988) that link it to organizational practices and learning capabilities. Since practices affect organizational values (Gehman, Trevino, & Garud, 2013) and organizational identity (Rodrigues & Child, 2008), managers can change organizational culture by implementing practices (Canato, Ravasi, & Phillips, 2013). Similarly, changing learning structures affects organizational culture (Liao, Fei, & Liu, 2008).

This article advances in two main aspects of the literature, one related to product/service innovation and the other to the theory of organizational culture. First, by adopting a dynamic view of culture, we understand product/service innovation as a consequence of many different factors, with organizational culture (shaped by the values and behaviors of the people that work in a firm) playing an important role among them. The adaptive attribute of culture is important to the product/service innovation literature because innovation outcomes are easier to achieve in organizational cultures that have internalized the value of change. Although some research recognizes the importance of the adaptive attribute of culture (Denison, 1990; Denison & Mishra, 1995; Fey & Denison, 2003), this attribute remains understudied (Giorgi et al., 2015). By managing the attribute of culture that explains the capacity of cultures to change and evolve, managers can mobilize adaptation as attribute that facilitates innovation outcomes. Using the lens of adaptation (Child, 1972, 1997) to prevent culture from impeding introduction of innovation (Dougherty & Heller, 1994; Leonard-Barton, 1992), we contribute to the literature by illuminating a key determinant of innovation adoption and success.

Second, we explore some key antecedents of adaptive culture to improve understanding of its evolving, changing nature, which occurs at the cognitive and applied levels (Kitayama, 2002). At the cognitive level, reflexive learning in firms creates a context for reconsidering established shared values and redefining them according to environmental demands, thereby determining how culture evolves. At the applied level, structural flexibility helps to anchor change in values beyond the cognitive level. Frequent changes in practice make it easier to change shared values, encouraging employees to assume change as their normal work state. Based on this adaptive view of culture, the model developed here aims to advance knowledge of culture's emergence or formation phase (Trice & Beyer, 1991; Rindova et al., 2011; Halsall & Brown, 2013) to guide practitioners to generate adaptive firm culture by fostering its determining factors—reflexive learning and structural flexibility. According to Cooke and Rousseau (1988), these factors enable managers to build culture that benefits product/service innovation outcomes directly.

The article is structured as follows. We propose hypotheses to construct our theoretical model, explaining innovation through adaptive culture, present the details and results of our empirical study, and develop implications for theory and practice.

2. Hypotheses

2.1. Adaptive culture and innovation

For Hurley and Hult (1998), nearly all industries perform continual or periodic innovations, as innovation is crucial to competitive advantage (Lemon & Sahota, 2004). Some research emphasizes organizational culture and climate as antecedents of innovation (Scott & Bruce, 1994). For example, Matikainen, Terhe, Matikainen, Parvinen & Juppó (2015) enhance the role of a relationship-focused culture as a means to achieve successful commercialization of new products, and Wang and Rafiq (2014) propose that new product innovation outcomes depend on ambidextrous organizational culture. Similarly, meta-analysis of the antecedents of incremental and radical product innovation proposes organizational culture as a key antecedent, interacting with other organizational components (Slater, Mohr, & Sengupta, 2014). Whereas most studies on organizational culture as antecedent of innovation attempt to identify *typologies* of culture that facilitate innovation, our dynamic perspective of culture analyzes the adaptive *attribute* of culture and its influence on product/service innovation outcomes.

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