



## ORIGINAL ARTICLE

# Studying the links between organizational culture, innovation, and performance in Spanish companies<sup>☆</sup>



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### KEYWORDS

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**Abstract** Innovation is considered to be one of the key factors that influence the long-term success of a company in the competitive markets of today. As a result, there is a growing interest in the further study of the determining factors of innovation. Today, the focus is on these factors related to people and behavior, emphasizing the role of organizational culture, as a factor that can both stimulate or restrain innovation, and therefore affect company performance. However, there is little empirical research linking these variables, particularly in the Spanish context. The purpose of this paper is to study these links by using a sample of industrial companies. The results show that culture can foster innovation, as well as company performance, or it could also be an obstacle for both of them, depending on the values promoted by the culture. It has been found specifically, that an adhocratic culture is the best innovation and performance predictor. Based on these results, it can be concluded that, innovation mediates the relationship between certain types of organizational cultures and performance.

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### PALABRAS CLAVE

Cultura organizacional;  
Innovación;  
Desempeño

**Estudiando el vínculo entre cultura organizacional, innovación y desempeño en empresas españolas**

**Resumen** La innovación se considera como uno de los factores clave del éxito a largo plazo de una empresa en los mercados competitivos actuales. Como resultado, existe un creciente interés por profundizar en los determinantes de la innovación. En la actualidad la atención se centra en los determinantes relacionados con las personas y el comportamiento, y hace hincapié en el papel de la cultura organizacional como un factor que puede estimular o frenar la innovación y por lo tanto afectar el desempeño de las empresas. Sin embargo, existe

<sup>☆</sup> Thesaurus of Psychology: Organizational culture (Organizational Climate PN 5181, SC 35710), Innovation (PN 825, SC 25499).

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poca investigación empírica que vincule estas variables, en particular en el contexto español. El propósito de este trabajo es estudiar estos vínculos en una muestra de empresas industriales. Los resultados muestran que la cultura puede fomentar la innovación y el desempeño de la empresa o puede actuar como una barrera para ambos, dependiendo de los valores que fomenta la cultura. En particular, se encuentra que la cultura adhocrática es el mejor predictor de innovación y desempeño. Además, sobre la base de los resultados, se concluye que la innovación media la relación entre cultura y desempeño.

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Firms currently must operate in an environment characterized by ever increasing global competition, changing customer demands, rapid technical changes, and uncertainty (Droge, Calantone, & Harmancioglu, 2008; Im, Montoya, & Workman, 2012). Within this context, innovation is considered critical for achieving sustainable competitive advantages and therefore for firm success (Damanpour & Gopalakrishnan, 2001). That is mostly due to the fact that innovative firms are more flexible and can respond to change more quickly; they go the extra mile when it comes to creating new opportunities and exploiting existing ones (Drucker, 1985). Empirical research provides support for a positive relation between firm innovation and performance (Damanpour & Gopalakrishnan, 2001).

Given the importance of innovation in improving firm performance, a number of studies have attempted to identify the factors that can enhance innovation (Koc & Ceylan, 2007). Currently one of the variables deemed to have great influence on innovation is organizational culture (Büschgens, Bausch, & Balkin, 2013; Lin, Donough, Lin, & Lin, 2013). Because organizational culture influences employees' behavior, it may lead the personnel to accept innovation as a fundamental value of the organization and to feeling more involved in it (Hartmann, 2006).

Despite the importance given to culture as a stimulant for innovation, empirical research on the topic is somewhat limited. Some studies on the link between culture and innovation merely look into some elements of culture (Cabello, Carmona, & Valle, 2005; Hage & Dewar, 1973; Laursen, 2002) whereas others do not use the same cultural traits or typologies (Chang & Lee, 2007; Lau & Ngo, 2004; Obenchain & Johnson, 2004). Besides, recent studies underpin the need for empirical research on organizational culture and innovation (McLaughlin, Bessant, & Smart 2008; Nakata & Di Benedetto, 2012; Tellis, Prabhu, & Chandy, 2009).

The purpose of this paper is to bridge a gap in the literature on the topic. First, a literature review was made and the most important characteristics related to innovative cultures were identified and compared to the cultural dimensions and typologies identified in the Competing Values Model. The research aims to identify what model or what model typologies stimulate more innovation and performance. In addition, considering that culture enhances performance and innovation and that innovation in turn affects performance, another question arose, "Is the influence of culture on performance direct or is it mediated by innovation? Innovation's role of mediator in the relation between culture and performance has not yet been

studied in the literature on the topic. Furthermore, it all becomes more interesting upon taking into account Crossan and Apaydin (2010), who stated that a possible manner for advancing in innovation research is to test the connection between identified innovation determinants, innovation outcomes, and firm performance.

The first section of this article reviews the literature on the topic. The second section discusses an empirical study of the links among organizational culture, innovation, and performance, which used a sample of Spanish companies. The final section draws the conclusions of the study and discusses future lines of research.

## Theoretical framework

Studying the indirect effect of culture in the performance, involves testing, besides the direct effect of culture on firm performance, the effect of culture on firm innovation and the effect of firm innovation on performance. These relations are developed in the following sections. It is important to clarify that the effect of culture on firm innovation in the second relation has already been partially tested by the authors in previous research (Naranjo-Valencia, Jiménez-Jiménez, & Sanz-Valle, 2012), and it is taken up here again, since it is required to complete the model of relations. Two types of culture were discussed in the previous research: adhocratic and hierarchical culture. In addition to these, this paper includes clan and market cultures.

## Innovation and performance

Innovation has been conceptualized in a variety of ways. OECD (2005: 46) defines innovation as "the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations".

Innovations may be classified using different criteria. OECD (2005: 17) distinguishes between four types of innovations: Product innovations involve significant changes in the capabilities of goods or services, both entirely new goods and services and significant improvements to existing products are included. Process innovations represent significant changes in production and delivery methods. Organizational innovations refer to the implementation of new organizational methods, these can be changes in business practices, in workplace organization or in the firm's external relations.

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