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Innovation Approach for Examining the Impacts of Organizational Culture on Successfulness of an Organization's Strategy

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ABSTRACT

This study aimed to investigate the factors influencing on impact of organizational culture on successfulness of an organization's strategies and the relationships among such factors. In fact, conceptual model of this research is specifically examining the factors impacting on successfulness of an organization's strategies. Statistical population of this study includes staff clerks and employees at Pars Khodro Co. Respondents were selected using simple random sampling method, and required data was obtained using questionnaire instruments. From the total 350 distributed questionnaires, 265 ones were adopted for final analysis. Structural Equation Modeling (SEM) and the software *Amos* were used to examine the relations among constructions of this study. Findings indicated that organizational culture leaves direct impact on organizational innovation and that organizational innovation and organizational culture have direct effects on successfulness of an organization's strategies.

KEYWORDS: Organization's strategies; organizational culture; organizational innovation

INTRODUCTION

Technological and commercial changes in present-day society have imposed pressure to companies, the pressure which poses a threat to power of organization. Organizations are under nonstop competitions and, thus, they have to offer innovative ideas. Innovation, therefore, may be defined as the *process for discovery and development of new products, production processes, organization, technology, facilities, and arrangement of system* (Cerne et al., 2012). What is important in creativity and innovation is that it is able to cause an improvement of strategic planning process if it is institutionalized in an organization (Maleki, et al., 2005). On the other hand, strategic innovation is a holistic systematic attitude which focuses on establishment of discrete innovations. An innovation becomes strategic when it has a deliberate repeatable process which makes a certain distinction in transmission of values to customers, consumers, partners, and enterprises.

In addition, organizational culture is a key factor that overshadows behaviors and members of an organization (Park and Kim, 2009). Stephen P. Rabins (1998) expresses seven main features for an organizational culture, one of which being *innovation*. Griffin (2001), Markides (2003), and Vihoava (2003) regarded organizational culture as possessing a significant relation with innovation and creativity. Woodman et al. (1993) showed that there is a direct relation between rational culture, involving culture, supporting culture, and risk-taking culture and peoples' creativity. Such significant and indirect relation is also found between hierarchical and bureaucratic culture and peoples' creativity. In contrast, Chasmir and Keberg (1987) showed that there is a direct relation between bureaucratic culture and peoples' innovation, due partly to diversified cultures, small workgroups, and differences in the dominant bureaucratic culture (Tabrizi et al., 2005). Culture is a guidance of compilation and execution of strategy, paving the path for an organization to pursue its strategies. Therefore, there should be cooperation among culture, strategy, and organization. Davice considers the relation and interaction between culture and strategy as playing a role in establishment of organizational performance (FathiZadeh et al., 2010).

The relationship between culture and strategy has a substantial effect on an organization's performance. Values, beliefs, norms, and philosophy of senior managers direct the process for strategy compilation. Despite importance of innovation as of different causes, little investigation has yet been focused on fundamental research and planning on innovation in our country. While, a pressing need for a creative and innovative generation is, and has been, felt. Many theorists believe that there should be changes in an organization's culture if it wishes to acquire effective and persistent changes therein.

There are several classes of innovation in management literature. The first class is the product which is contrary to the process of innovation. The second class is the main product which is contrary to incremental innovations. The third class is technical products which are contrary to administrative innovations. Anyway,

innovative behaviors should be lodged in an organization's strong organizational culture in case it is to be regarded as a real innovative company. This means that people within an organization tend to similar beliefs and behavioral patterns (Cerne et al., 2012). Importance of this issue may be explicable within the framework of significance of variables. Purposes of this study are determination of interplays among innovations, organizational culture, and success factor of all strategies adopted by an organization. Moreover, appropriate solutions may pave the way for development of peoples' capacities and creativities within an organization. It will, finally, lead to compilation of appropriate strategies to reach at organizational objectives. Thereby, this is intended to underline, and analyze, the factors impacting on successfulness of an organization's strategies. In addition, two variables *organizational culture* composed of partnership, stability and integrity, flexibility, and assignment, and *innovation* composed of equipment, processes, products, services, marketing, management and leadership, and organizational components are considered as independent variables which have indirect impacts on successfulness of an organization's strategies with defensive, competitive, and conservative sub-components. That said, following is conceptual model of this research:

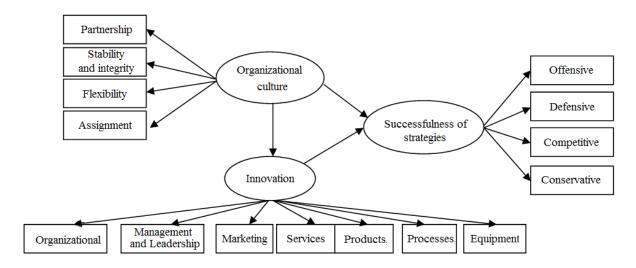


Fig. 1: conceptual model of the research (source: with changes made by researcher)

Theoretical Framework

Organizational culture

Hall considers culture as a general heritage of a community that includes all assets, behaviors, and deeds of a society and is transferred from one group to the other. Winner maintains that most researchers concur that common values are a key element in defining culture (Hall, 2005).

Resources of Organizational Culture

Essentially, culture has its roots in three sources; beliefs, values, and presuppositions (Cerne et al., 2012).

Innovation

One of the primary problems regarding innovation is a precise definition of innovation. This is commonly supposed that innovation is associated with a novel thing. Save for novelty, other viewpoints and academic views on innovation are different from one another (Guijarro, 2009). Shompiter (1943) was the first person who professed innovation within its scientific framework. He describes innovation as an irreversible and historical change in completing tasks and creative demolitions. Dobni (2008) defines innovation as a new creativity which is defined as economically important and is operated by companies for the first time.

Innovative Culture

An innovation-oriented culture is generally defined as the need for maximization of innovative ideas that appear in a determined period of time. A more precise definition indicates that innovation culture is a through and behavior way that constructs and develops values and orientations in an organization. It includes adoption and support of improving changes and ideas in a company's efficiency and performance, even of such changes mean a divergence with ordinary behaviors (Mansury and Love, 2008).

Relationship between Organizational Culture and Innovation

Davood Abadi (1994), Andropolus (2001), Fakhrian (2002), Martinez (2003), and Vihoava (2003) considered organizational culture as having significant relationship with innovation and creativity. Studies by Bayat (1996), Arghavani (2000), Woodman et al., griffin (1993), and Sheikh Alizad (2006) have shown that there is a positive relationship among logical, partnership, supporting, and risk-taking culture and peoples' creativity; moreover, there is a negatively significant relationship among hierarchical and bureaucratic culture and peoples' creativity. In contrast, Chasmir and Keberg (1987) showed that there is a positive relation between bureaucratic culture and peoples' innovation due maybe to diversified cultures, small workgroups, and differences in the dominant bureaucratic culture. As regards some conducted studies, there was no complete relationship in most cases, which may be subject to time, location, and other factors to be examined separately at all organizations (FathiZadeh et al., 2010).

Strategy

Strategy, like plan, focuses on the role of informed leadership and necessity of keeping tabs on previous objectives. Such strategies are able to both appear without pre-intentions and introduce concept and context. Strategy is extended even outside the organization, and a perspective reminds us of the fact that, in recognizing strategy, we have to pay attention to the collective wisdom existing in the organization (Mintzberg and Waters, 1985).

Relationships among an Organization's Culture and Strategies

The relationship between strategy and culture has outstanding impact on an organization's performance. Values, beliefs, norms, and philosophy of senior managers direct the process for strategy compilation. Such beliefs may include critical beliefs like leadership in price or innovation in a certain market, fair treatment with customers and employees, and non-pollution of the environment (Khorasani, 2008).

Internal Background

Hajiha and KharratZadeh (2014) carried out a study entitled "Relationship between Organizational Culture and Application of Accounting Innovation in Companies Admitted into Tehran Exchange Organization" where they examined organizational culture based on cultural dimensions cited in Mojen Model (1999) and its relationship with application of accounting innovations in the companies admitted into Tehran Exchange Organization. Management accounting innovation intended by this study includes activity-based costing, activity-based management, balanced scorecard, objective-based costing, standard costing, quality costing, and Kaizen costing. Aspects of organizational culture include supportive trends, innovations, legalism, and goal orientation. Based on this research's findings, there are significant differences among organizational culture of the companies which have adopted management accounting innovations and those which have less used of these innovations.

Hossein Rezaei Dowlat Abadi, Omid Baharestan, and Mohammad Mohammadi Sadr (2012) analyzed the relationship among organizational learning culture, innovative culture, and innovation in Kerman food industries with their case studies being Zamzam, Kerman Oil, and Pegah Kerman Companies. This intended to test innovation capability development model based on impact of organizational learning culture in Kerman food industries. Path analysis findings indicated that information acquisition, information interpretation, behavioral and cognitive changes, and innovative culture are indirectly impacting on administrative innovation and directly impacting on technical innovation.

Overseas Background

Ozkot et al. (2013) investigated the role of innovation in the relationship between organizational culture and companies' performance. Findings showed that there is a direct and positive impact on companies' performance by organizational culture and innovation in banking system.

In their PhD dissertation entitled "Organizational Learning and Innovation Culture in Turkish Companies," Cerni et al. (2012) examined the impact of learning, innovation, and creativity variables on the manner Turkish companies made their dealings. Results showed that there is a very powerful relationship between organizational learning culture and innovative culture. In addition, there is an indirect relationship between organizational learning culture and innovation through innovative culture.

In another study entitled "Impact of Organizational Culture and Leadership Styles on Employees' Commitments and their Effects on Employees' Loyalty," Lele et al. and Dendi Solo Yanti (2012) intended to investigate the impact of organizational culture and leadership styles on employees' commitments. They, to do so, presented the following hypotheses: (1) Organizational culture influences on employees' commitments. (2) Leadership styles influence on employees' commitments influence on employees' loyalty. (4) Organizational culture and leadership styles impact on employees' loyalty as a mediator variable. The

statistical population under study was employees working at Indonesian Java Hotel. Results indicated that the hypothesis regarding interactions of organizational culture and leadership styles on employees' commitments is supported. Moreover, employees' commitments have significant impacts on employees' loyalty. In this study, the role of employees' commitments as a mediator variable for impacting on organizational culture and leadership styles as to employees' loyalty is affirmed.

Hypotheses of the Research

First hypothesis: Organizational culture impacts on employees' innovation.

Second hypothesis: Innovation impacts on successfulness of an organization's strategies.

Third hypothesis: Organizational culture impacts on successfulness of an organization's strategies.

METHODOLOGY

This study is practical in its objective and causative-correlative in its descriptive method. Statistical population of this study includes staff employees at Pars Khodro Co. From the total 350 distributed questionnaires, 265 ones were adopted for final analysis. To collect information on the variable *organizational culture*, the questionnaire developed by Denison was adopted. In addition, the questionnaire constructed by Mailez and Snova was adopted in order to collect information on variables *strategy* and *innovation*. Reliability of the questionnaire was determined by Cronbach's alpha to be 0.95. Data analysis was completed by descriptive statistics (frequency, percentage, and average) and inferential statistics (SEM).

Findings

In order to evaluate Confirmatory Factor Analysis Model through Maximum Likelihood Method, data should be normally distributed. In this study, since values of all observed variables for Kurtosis statistics are lower than the numerical value 7, then variables are normally distributed (So et al., 2013).

Table 1. examinatio	n oj normai aisi	ribuiion of obser	veu variable	ა
Observed variables	Kurtosis	Critical ratio	Skewness	Critical ratio
Item 13	232	-1.268	-1.003	-2.740
Item 14	.147	.803	-1.046	-2.855
Item 15	217	-1.184	851	-2.323
Item 7	778	-4.249	498	-1.360
Item 8	459	-2.509	942	-2.573
Item 9	204	-1.113	-1.030	-2.813
Item 10	120	653	-1.034	-2.823
Item 11	054	297	-1.079	-2.947
Item 12	411	-2.244	-1.108	-3.027
Item 1	578	-3.160	-1.040	-2.841
Item 2	603	-3.293	919	-2.511
Item 3	366	-1.998	-1.090	-2.976
Item 4	751	-4.101	554	-1.513
Item 5	612	-3.343	906	-2.474
Item 6	412	-2.249	-1.084	-2.959

Table 1: examination of normal distribution of observed variables

In order to determine creditability of each variable's indices and differences among variables, confirmatory factor analysis is used. For each variable, one confirmatory factor analysis is regarded, and then the whole model is associated with a general confirmatory factor analysis. To evaluate confirmatory factor analysis and path model, there are several fitness indices. To evaluate confirmatory factor analysis model, indices of goodness of fit are shown in the Fig. 2. Proportion of chi-square test to degree of freedom is lower than 3, thereby the model has suitable goodness of fit. Since, however, this index is impacted by sample, comparative and PNFI-PCFI indices should be examined to specify goodness of fit. Since CFI and RMSEA indices do not possess suitable values, the model should be modified.

Table 2: fit indices

Fit indices	Suitable level	Limit of research model
CMIN/DF(Proportion of chi-sqaure to degree of	Less than 3	1.939
freedom)		
CFI	Higher than 0.90	0.916
RMSEA	Less than 0.08	0.048
IFI	Higher than 0.90	0.918
NFI	Higher than 0.90	0.901

Table 3: significance results and load factor of items

No.	Items	Estimated values	Standard error	Critical ratio	Level of significance	Load factors
1	Aggressive strategy	1.000				.514
2	Defensive strategy	.863	.162	5.344	***	.510
3	Competitive strategy	.872	.170	5.122	***	.481
4	Conservative strategy	1.193	.200	5.971	***	.614
5	Organizational innovation	1.000				.523
6	Management and leadership innovation	1.118	.185	6.031	***	.446
7	Marketing innovation	.940	.166	5.675	***	.404
8	Services innovation	.528	.104	5.080	***	.336
9	Products innovation	.867	.141	6.169	***	.466
10	Processes innovation	.833	.131	6.353	***	.456
11	Equipment innovation	1.262	.181	6.979	***	.527
12	Partnership organizational culture	1.000				.507
13	Stability organizational culture	1.549	.186	8.312	***	.762
14	Flexibility organizational culture	1.364	.249	5.485	***	.363
15	Assignment organizational culture	1.250	.166	7.546	***	.628

In table 3, significance level of all items is lower than 0.05. On the other hand, load factor of all items that should be higher than 0.3 is higher than 0.3—the fact which shows suitability of the relationship between the item and its corresponding variable. As illustrated, the items which are considered as fixed have empty critical ratio and level of significance, due to the fact that level of freedom should be positive to permit transformation of the model into an ultra-model allowing to perform SEM. That is why the software automatically considers as fixed some items. In table 3, load factors are expressive of the relationship between the item and its corresponding variable: the more intense this relationship, the higher the importance of that item for its variable would be.

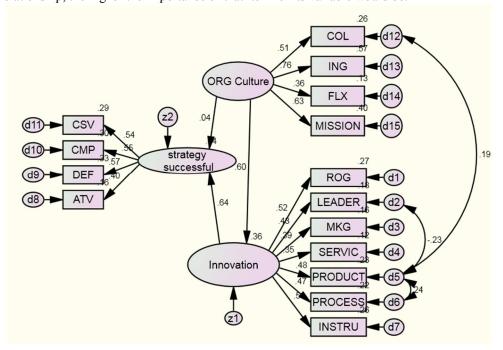


Fig. 3: standardized measurement model

In Fig. 4, results of goodness of fit indices for modified model are as follows:

Fig. 4: goodness of fit indices

Fit indices	Suitable level	Limit of research model
CMIN/DF(Proportion of chi-sqaure to degree of freedom)	Less than 3	2.313
CFI	Higher than 0.90	0.879
RMSEA	Less than 0.08	0.057
IFI	Higher than 0.90	0.901

Proportion of chi-square to degree of freedom is lower than 3, thereby the model has suitable fitness. To determine fitness, comparative and PNFI-PCFI indices should be examined as well. Since CFI and RMSEA indices have suitable amount and as goodness of fit of structural mode is higher than desirable amount, the model requires no modification.

Table 5: investigation of relationships among external and internal variables

	External variable	Internal variable	Estimated value	Critical ratio	Level of significance	Impact factor	Result of hypothesis
research	Organizational culture	Successfulness of strategy	0.609	4.743	***	0.600	Affirmed
of the	Innovation	Successfulness of strategy	0.027	2.344	0.731	0.038	Affirmed
Main hypotheses	Organizational culture	Innovation	0.458	4.107	***	0.643	Affirmed

In table 6, determination coefficient is observable showing the level whereby each variable is elucidated by independent variable.

Table 6: determination coefficient among external variables

Internal variables	Determination coefficient
Innovation	0.36
Successfulness of strategy	0.44

Determination coefficient is applied both in model fitness and independent variables selected in the research. The higher the value of these indices, the better the model fitness would be. In this research model, structural model fitness may be referred to as for high values of determination coefficient, interpreting that dependent variables have the highest dependence levels to their independent variables. Following is a report of research's hypotheses:

First hypothesis: Organizational culture impacts on employees' innovation.

According to the table 5, significance level of the impacts by organizational culture on employees' innovation is less than 0.05, the result which rejects null hypothesis and affirms research's hypothesis with confidence level of %95 and path coefficient of 0.64.

Second hypothesis: Innovation impacts on successfulness of an organization's strategies.

According to the table 5, significance level of the impacts by innovation on successfulness of an organization's strategies is less than 0.05 and critical ratio is 2.344. These reject null hypothesis and affirm research's hypothesis with confidence level of %95. Therefore, innovation has direct impacts on successfulness of an organization's strategies.

Third hypothesis: Organizational culture impacts on successfulness of an organization's strategies.

According to the table 5, significance level of the impacts by commitment on customers' reliance is less than 0.05, the result which rejects null hypothesis and affirms research's hypothesis with confidence level of %95 and path coefficient of 0.60. It means that an increase of one unit in organizational culture would bring about an increase of 0.60 in successfulness of an organization's strategies.

DISCUSSION AND CONCLUSIONS

As regards the first hypothesis indicating that "Organizational culture impacts on employees' innovation," it was concluded that organizational culture influences on employee's innovation. Generally, organizational culture is a vital index in successfulness of all organizations. In his study entitled "Examination of Impact of Organizational Culture on IRI Railways Co. Managers' Innovations," Arash Ghanbari (1998) concluded that amount of innovation in this organization is a function of the organizational culture dominant on the company. Ozkot et al. (2013) investigated the role of innovation in the relationship between organizational culture and companies' performance. Findings showed that there is a direct and positive impact on companies' performance by organizational culture and innovation in banking system. This is thus safe to indicate that successful organizations have a capacity to pump innovation into their managerial processes. Culture is a reflection of leadership, norms, and values as a tangible representation of the manner whereby tasks are completed by employees. A flexible environment enables employees to respect their ideas, undergo risks, celebrate successfulness, and encourage entertainments. In the meanwhile, innovation is a group process in which information-power interactions are of paramount importance. Innovation, therefore, deserves to be known as a part of performance evaluation system for each employee. At the end of the evaluation period, employees are asked to indicate the level they have presented novel ideas and their applicable effects. This is thus proposed to document innovation process and systems aligned with the organization's culture so that all employees are able to comprehend them and play their own roles in a transparent manner.

According to the second hypothesis indicating that "Innovation impacts on successfulness of an organization's strategies," it was concluded that innovation influences on successfulness of an organization's strategies. As said hereinabove, innovation is the key to successfulness of organizations, thereby suitable solutions should be presented to improve this path so as to assist organizations to make purposeful changes in present-day, dynamic markets. In his research entitled "Strategic Relationship Impacting on Organizational Innovation," Parviz Ahmadi investigated the relation between innovation and organizations' strategies. First priority of this research was to examine organizational innovation in said company upon the compilation time. Its second priority was to investigate the factor strategic relationship impacting on organizational innovation. Third priority was to examine differences in opinions, attitudes, and ideas of designing and engineering groups in development, sales, and marketing purviews. It wished to present information to senior managers regarding differences in HR aspects as main source of product development and innovation. This research intends to evaluate importance of one of variables that was published by Andrias Herman, Torsten Tomczak, and Rene Befort (2006) in their research's results as Innovation Product of Determinants. These authors, who published their results in Innovation Management journal, intended mostly to assess and compare the indices impacting on innovation in 53 German, French, and English companies, which had a good background on presentation of new products to markets. Their chief purpose was to assess and survey innovation determinants rather than to evaluate existence of innovation. This is thus to say that management should establish a strategic, innovation-centered view and change it into a central element enabling getting access to long-term objectives. Such a viewpoint should be playing part of a leader in change process and its reconstruction in confronting new challenges. Innovation and creativity capability are based on a collective mind that helps organization be looked at as an organic system in which all members are expected to make cooperation to reach at desirable results. A key part in organizational strategies is development of organization's knowledge based on transferring and sharing individually acquired knowledge. A strategy determines long-term purposes and plans of an organization. Consequently, an organization should focus on innovation. This is thus to note that innovation and creativity are the key to development of successful strategies in organizations.

According to the third hypothesis indicating that "Organizational culture impacts on successfulness of an organization's strategies," it was concluded that organizational culture influences on successfulness of an organization's strategies. Culture assists human beings to acquire stable and fixed thoughts within complex groups with special, separate tasks. In their study entitled "Role of Organizational Culture in Organization's Strategic Objectives," Shahbaz Barahooei and Haniyeh Kazerani (2013) addressed the relationship between organizational culture and organizational strategies, indicating that organizations should keep tabs on their cultural strategies in order to make a balance between their internal coherence and external accordance. Since a culture is acquired, shared, transferrable, symbolic, and adaptable, senior managers of an organization are able to identify incompatible beliefs and norms through management of their organizational culture. This is thus indicated that organizational culture is a general concept that encompasses beliefs, ideologues, traditions, norms, and technologies. Organizational culture is a chief factor that impacts on behaviors of an organization and its members. In general, organizational culture influences strategic operations and successful strategies in organizations, bringing along an organization's success. Therefore, managers are to actively arrange strategies aligned with their organizational

objectives based on cultures and sub-cultures. If this issue is neglected, they are likely to be changed into anticultures: the biggest threats for present-age organizations.

Suggestions

- ✓ This research is suggested to be examined in other domestic companies and organizations, as well;
- ✓ Factors impacting on development of partnership culture are suggested to be investigated within administrative organizations;
- ✓ Other organizational variables and factors are suggested to be investigated as predictors between organizational creativity and innovation;
- ✓ Future research is suggested to be carried out on methods evaluating organizational learning, organizational culture, and their domestication;
- ✓ Future research is suggested to be carried out on causative relationships between organizational learning capability and creation of knowledge in workplace;
- ✓ Future research is suggested to be carried out on inter-cultural studies and managers' viewpoints working in different organizations all over the globe regarding elevation of innovation and creativity levels aligned with boosting cultural products.

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