# Organizational Culture and Innovation

INTRODUCTION

Organizational culture represents what an organization is and not necessarily what an organization should have or what it has. It is more sublime and differs from the hype created by such term as Corporate Social Responsibility. It is set forth by the experiences, values, attitudes and beliefs and is defined as:

> The specific collection of values and norms that are shared by people and groups in an organization and that control the way they interact with each other and with stakeholders outside the organization (Scott 2004, p. 13).

It is difficult to measure CSR and it has often been referred to as the sum of all beliefs and shared norms in an organization (Scott 1987). Employee engagement goes much beyond that. An employee cares about the company that hires him and follows his instructions mentally (Zucker 1987). It rather enforces employees when they have a choice to go think beyond what is asked for, being highly motivated and enthusiastic about their work and showing a high level of commitment (Smith 2004). This paper explores the relation between organizational culture and employee engagement and the positive effect that one has on the other.

ORGANIZATION CULTURE, EMPLOYEE ENGAGEMENT AND MOTIVATION

Employee engagement and their levels of motivation are closely related, and a motivated employee is an engaged employee (Wells 2001). Mcshane has explained that the three most popular organizational culture theories of motivation are expectancy theory, equity theory and goal setting (Mcshane & Travaglione 2005). The expectancy theory suggests that there are two components that determine the outcomes and

valences and these are the effort to performance expectancy and performance to

outcome expectancy (Robinson 2004). The equity theory explains how people develop

perceptions of fairness in the distribution and exchange of resources (Rowley 2004).

Goal setting theory is the process of motivating employees and clarifying their

perceptions by establishing performance objectives (Osteraker 1999). Given below is an

illustration of different theories.

| Maslow's Needs hierarchy theory | Alderferer's ERG theory | Herzberg's Motivator–hygiene theory | McClelland's learned needs |
|---|---|---|---|
| Self-actualisation | Growth | Motivators | Need for achievement |
| Esteem | | | Need for power |
| Belongingness | Relatedness | Hygienes | Need for affiliation |
| Safety | Existence | | |
| Physiological | | | |

*Figure 1. Content Theories of Motivation (Mcshane & Travaglione 2005)*

The research conducted by Osteraker has concluded that in an organization,

after due course of time, when the employees have assumed that their basic

physiological needs are assured, the unfulfilled need of growth becomes very dominant

and can be a major de-motivator. Osteraker has argued that when employees face a

stagnant future with no appreciable gains or changes in the work profile and

designation, they lose motivation and any desire to work more. In other words, the

employees are not motivated and hence the amount of engagement reduces till it is

gone, the organizational culture has to step in and provide the required support (Osteraker 1999).

Basset-Jones has performed research to answer the question if Herzberg's theory still holds true in the modern world. The research concludes that repetitive work produces frustration and alienation. If there are no ways in the organization culture to address these issues by means of job rotation or change in the work profile, the amount of engagement towards the work reduces and employees do not feel motivated to produce more and be creative; productivity remains at a standstill and may even come down (Bassett-Jones 2005).

According to Dayr (Dayr & Letica 2001), when employees realize that when a certain pattern of high performance does not produce the desired results, the performance to outcome expectancy achieves a negative value and people begin to realize that no matter how much effort they put in, the outcome will not change. In this case, the outcomes are the frustrated needs of the employees who have wage disparity and a routine boring job ahead of them. This considerably reduces their levels of engagement and motivation to work and the organization culture fails for employees. King has assumed that when suggestions made by skilled employees are rejected without consideration, the valence turns negative and employees tend to lose interest in their work and there is loss in motivation (King 2004).

The section has examined how organization culture is linked with employee engagement and how the former needs to support the latter and keep the employees engaged and motivated.

INDUSTRY BEST PRACTICES AND CASE STUDIES

Some examples of how employee engagement is maintained by leading organizations are presented in this section.

*Employee Engagement in Japanese Companies.* Japanese companies have risen 'from the ashes of WWII' and have overtaken US and European companies in many cases, mostly in such fields as automobiles, electronics and many others. The Japanese management believe in directly communication with employees and presenting them with a problem and then asking them to come up with the best possible solution (Womack 1990).

So, what has made Japanese companies be so successful in a variety of industries ranging from automotive to electronics? What is the secret to the favourable to success and competition superiorities that these companies have? What kind of organization culture do they have that keeps employees engaged, stimulates their motivation and makes these companies the best in the world?

Drucker tried to provide answers to these questions by discarding the concepts of oriental philosophy in order to explain the Japanese resilience (Drucker 1999). The author suggested that the main secret lay in engaging employees to their full by sharing the best practices in the form of implicit and tacit knowledge and information among them and diffusing it to the people who need it. A rigorous mindset, good knowledge of mechanical and electrical engineering that existed from the pre war days and the insight to apply it effectively helped the country to go forward. By extensively reading the works of the author, it is obvious that he is explaining a culture where employees are taught to

think and innovate, and what is more important, create a knowledge body that is continuously being recycled and redistributed.

Drucker (1999) again speaks of a national culture that drifted down to organizations and infused the employees to keep them engaged, motivated and filled with a zeal to outdo themselves. Implicit knowledge helps to complete a task such as tightening a screw or repairing the car - the problems and solutions of some fixed type. Tacit knowledge, on the other hand, provides an insight into what a customer wants and feels, how the functionality of a product can be made more appealing and so on. This idea was presented by Walter and DiMaggio (1991).The scientists believed that Japanese companies excel at this form of organizational culture. They elaborated more deeply on tacit and explicit forms of knowledge and, thus, Japanese companies give more attention for implicit knowledge creation processes. The organizational culture brings about continuous innovations by creating a link between the outside world and their internal world.

The success story of *Sony Corporation* and the innovative Sony Walkman is the best example of employee engagement (Takeuchi 2004). Akito Morita, the visionary head of Sony realized the need for a compact and portable cassette player after observing people carrying huge stereo players though micro miniature circuits were not brought forward in those days. Takeuchi wrote that Akito San called off people from design, production and development and set a new task for them – innovate a portative music system. The team used such techniques as reengineering, brainstorming, Ishikawa diagrams and their cumulative knowledge to create the Sony Walkman, which made Sony highly competitive to formidable rivals like *Philips* and *BPL*.

Womack (1990) has written about the famed *Toyota* Production System, which structure has been reproduced by many western companies. The author has pointed out that this system was not the work of a single person or a single team but teams of a large number of people. In fact 'an army of employees has been engaged to improve the system' and it represented an organization culture that proved to be ample. Fang (2003) talks about training and knowledge transfer processes, spirit of innovation that enables a worker not only follows the above mentioned processes, but thinks of continuous ways of their improvement. Awazu and Desouza (2005) say that the concept of quality becomes a part of the organization culture. They bring up *Toyota Company* as an example, where informal employee tacit knowledge networks have been created with intention to providing ready solution for people.

This is the Japanese organization culture that keeps employees engaged and motivated in order to maintain the highest standards of productivity.

*Employee Engagement in Indian IT Companies.* Indian Information Technology companies are the leading ones as long as it concerns the IT services. Such organizations as *Infosys, Wipro, Patni* and others have risen up from small firms to big corporations when they managed to reign global IT development market.

Kadapa (2006) has written about the practice of knowledge management that is practiced in these companies and defined it as a 'cooperative practice that is fully driven by employees and has the main goal of sharing knowledge to reduce lead time of delivery' (p. 43). Fox (2001) says that such companies have fostered an organization culture where employees are engaged not only in their work and project deliveries but they also share what they have learnt so far. Since programming and creating

applications is a new field, each customer who places an order asks for a production with a reference to the application maker. Oppositely to MS Office package that is an established and well know brand sold as a product, Indian IT companies build new applications and write new codes for each product. However, some problems arise during the coding and testing process. These are defects and bugs; but with the help of efficient workaround they can be easily bypassed, masked or replaced by fixes. Heskett (1994) pointed out that the organization culture in such companies allows each employee to participate in knowledge sharing process and relive the related experiences. The companies have designed a KM portal where they host the required data subdivided into categories that can be accessed with keywords. Almost all employees voluntarily participate in this movement and upload their experience and details of what they faced in a project and how they solved any particular problem. These contributions are not anonymous, moreover, all contact information of the employee is stored on this forum; but it is only an advantage because when his or her contribution to the working process becomes fruitful, such workers gain recognition and are given bonuses and appraisals. Schlesinger (1991) pointed out that such practices help employees to get relief from the tedious and stressful work and increase their engagement. Such employees remain highly motivated and their contribution to the projects and work keeps pace with the demand.

CONVERGING ORGANIZATION CULTURE AND EMPLOYEE ENGAGEMENT

Apart from the individual personality, the organization culture plays a very important role

in employees' engagement (Schlesinger 1991). Engaged employee displays some

typical behaviours.

> They are faith in organization, desire to work to make things better,
> understanding of business context and getting the bigger picture, respect and crave to
> help colleagues, willingness to 'go the extra mile' and keep up the path of development
> in the field (Rowley 2004, p. 210).

Then the main issue is what are the drivers influencing the organization culture and

increasing the employee engagement? There are some prime elements in organization

culture that act as drivers to bring forward and enlarge employee's engagement.

These are the most well known: good quality line management, two-way communication,
effective internal co-operation, development focus, commitment to employee, accessible HR
policies and practices, to which managers at all levels are committed (Rowley 2004, p. 13).

Please refer to the following illustration that shows the drivers (Robinson 2000).
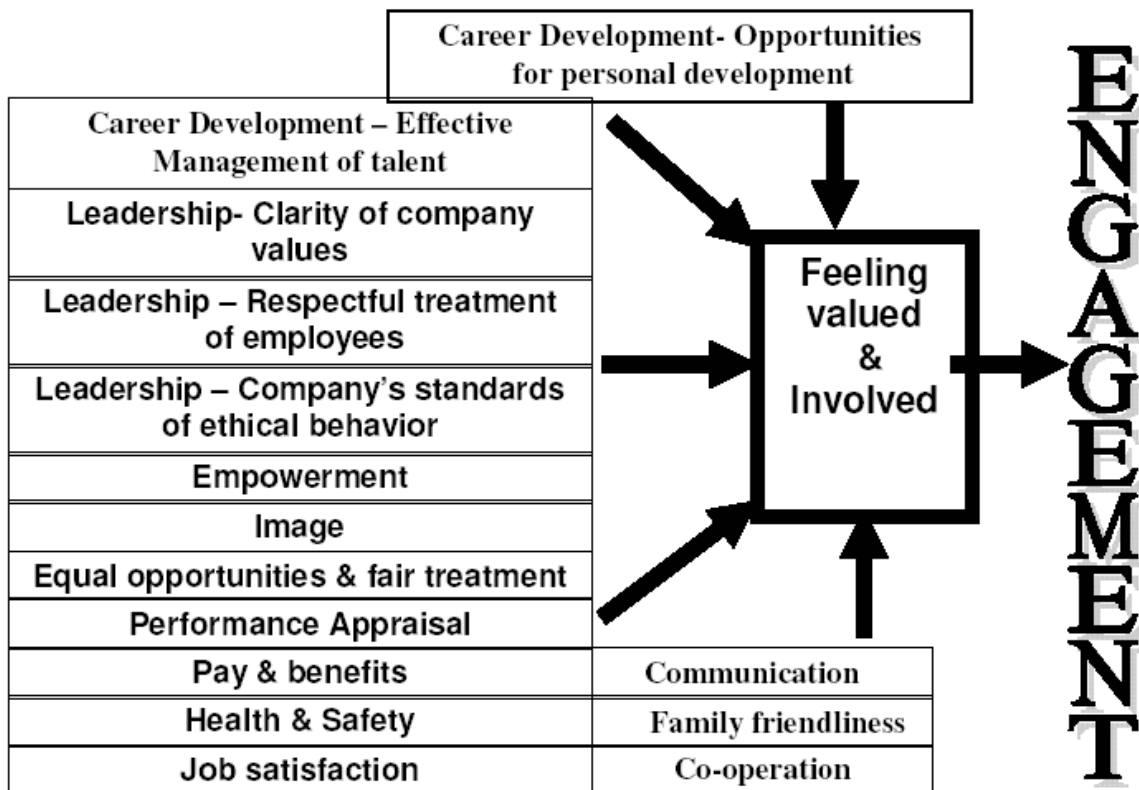
| Career Development – Effective Management of talent |
| Leadership- Clarity of company values |
| Leadership – Respectful treatment of employees |
| Leadership – Company's standards of ethical behavior |
| Empowerment |
| Image |
| Equal opportunities & fair treatment |
| Performance Appraisal |

Career Development- Opportunities for personal development

Feeling valued & Involved

ENGAGEMENT

| Pay & benefits | Communication |
| Health & Safety | Family friendliness |
| Job satisfaction | Co-operation |

*Figure 2. Organizational Culture Drivers for Employee Engagement (Robinson 2004)*

As shown in the above figure, all factors lead to one common theme - 'feeling valued and involved'. The management need to treat employees with respect and make sure they are valued and their work is appreciated. This is the major forcing element of employee engagement (Robinson 2004). As for the other drivers, they are as follows:

- Opportunities for personal development

Organizations with high levels of engagement provide employees with opportunities to improve their abilities, accomplish new skills, acquire new knowledge and realise their potential. Such companies plan to invest for them to prosper (Porter 1998):

1.  Effective Management of Talent

Career development influences engagement of employees by retaining the most talented workers and providing opportunities for personal development (Watson 2002).

2.      Clarity of Company Values

'Employees need to feel that the core values for which their companies stand are unambiguous and clear' (Watson 2002).

3.      Respectful Treatment of Employees

Successful organizations show respect for each employee, appraise his or her contributions made regardless of the job level (Robinson 2004).

4.      Company's Standards of Ethical Behaviour

A company's ethical norms of behaviour also have some impact on engagement of an individual (Heskett 1994).

5.      Empowerment

Employees want to be a part of decisions making process. The management in some well arranged firms makes up a trustworthy and thought-provoking environment, in which employees are inspired with courage to air their own points of views so that the company can succeed on business arena (Gremler 2000).

6.      Image

How much employees are prepared to endorse the products and services, which their company provides its customers, depends largely on their perceptions of the quality of those goods and services. High levels of employee engagement are inextricably linked with high levels of customer engagement (Gremler 2000).

7.      Equal Opportunities and Fair Treatment

The employee engagement level will be high if their bosses (superiors) provide equal opportunities for growth and advancement to all employees (Rowley 2004).

8.     Performance Appraisal

Fair rating of an employee who is a participant of a working process is considered to be a significant element in estimating the level of his or her engagement. The company that implements the decent appraisal technical methods will have high levels of employee engagement (Rowley 2004).

There are some other factors that influence this process:

9.     Pay and Benefits

The company should bring forward a proper pay system for the employees to be induced to work in this organization. In order to increase the engagement levels the employees should also be appraised with some benefits and compensations.

10.     Health and Safety

If the employee does not feel protected, the engagement levels descend. In this prospect, it is very important for the company to promote good health of employees by applying the needful health (Watson 2002).

11.     Job Satisfaction

According to Watson (2002), 'only a satisfied employee can become an engaged employee' (p. 541).  The managerial team needs to make sure that the workers are satisfied with the jobs they have. When someone matches his career goals, job becomes automatically enjoyable.

12.     Communication

The company should follow the open door policy. There should be a two way communication, none of the parties has to be left outside. If the employee is given an opportunity to speak out in the decision making process and can be heard by his boss, then the engagement levels are likely to be high.

13. Family Friendliness

A person's family life has a great impact on his work. When an employee realizes that the organization takes also into consideration his family's benefits, he will have an emotional affiliation with the organization, and it will lead to engagement (Watson 2002).
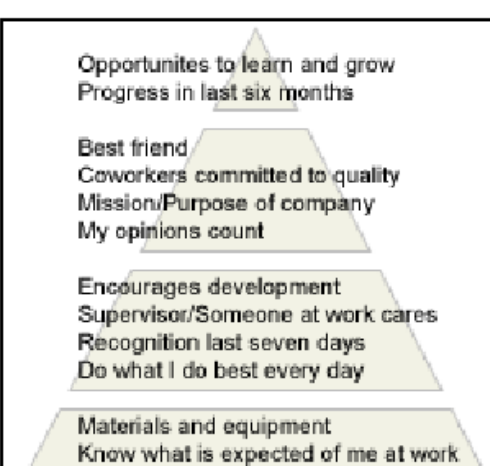
14. Co-Operation

If the entire organization work together by helping each other i.e. all the employees as well as the supervisors co-ordinate well than the employees will be engaged (Watson 2002).

MEASURING ORGANIZATION CULTURE AND EMPLOYEE ENGAGEMENT

Assuming that the management has brought in the required organization culture to foster employee engagement and even assuming that employee are engaged, the question that arises is how employee engagement can be measured?

Smith (2004) pointed out that organization and employee engagement cannot be quantified in number of units, weight or volume. Organizations use survey instruments such as Gallup polls with questionnaires that employees are required to fill. These instruments have 12 questions for which employees are required to give clear replies. Schlesinger (1991) comments that the instruments confirms that engaged organizations compared with least engaged are much more likely to have lower employee turnover,

higher than average customer loyalty, above average productivity and earnings. These are all good things that prove that engagement, improve employees' business skills and build shareholder value. Harrison (1985) argues that negative workplace relationships may be a big part of why so many employees are not satisfied with their jobs. Some of the questions that were asked include whether the person is aware of his direct duties; whether the supervisor or someone who is on charge cares about employees as the personalities; whether the worker's point of view is reckoned upon and many others. Organizations collect and analyse the answers to obtain an understanding of the organization culture and its effect on employee engagement. A sample analysis is shown as below:

| | Retention | Customer | Safety | Productivity | Profitablity |
|---|---|---|---|---|---|
| Opportunites to learn and grow | X | X | X | X | X |
| Progress in last six months | | x | X | x | |
| Best friend | | X | x | x | X |
| Coworkers committed to quality | X | x | x | X | X |
| Mission/Purpose of company | X | x | x | X | X |
| My opinions count | X | X | X | X | X |
| Encourages development | x | X | X | x | X |
| Supervisor/Someone at work cares | X | X | X | X | x |
| Recognition last seven days | x | x | x | x | X |
| Do what I do best every day | X | X | X | X | X |
| Materials and equipment | X | X | X | | |
| Know what is expected of me at work | X | X | X | X | |

X - strongest generalizable relationships across companies
x - positive generalizable relationships across companies

*Figure 3. Sample Results from Gallup Survey (Harrison 1985)*

HR experts in the organization assess the responses and patterns to understand what can be done to improve the organization culture and improve employee engagement.

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