

## ORGANIZATIONAL CULTURE OF SMALL INNOVATIVE COMPANIES IN POLAND

Dorota Chmielewska-Muciek  
Maria Curie-Sklodowska University in Lublin, Poland  
dorota.chmielewska@umcs.lublin.pl

### **Abstract:**

The efficiency of innovation management is determined by several factors. Organisational culture constitutes one of these. It encompasses the system of values which may support or hinder the development of innovations in an organization. The paper aims at presenting research results pertaining to organisational culture of small innovative companies in Poland, and formulating observations regarding organisational culture as the factor supporting innovative activities. The study encompassed 110 small innovative companies. Results were obtained by means of a questionnaire. 1163 responses were collected.

*Keywords: organizational culture, innovation management, small companies, Poland*

## 1. ORGANIZATIONAL CULTURE AS A DETERMINANT OF COMPANIES' INNOVATION

Innovations are currently considered a vital factor determining a company's success. Such approach results from "a belief grounded in numerous research stating that hitherto factors determining the competitive edge lose significance, and the prospective development ought to be built not on incremental methods but on the basis of innovations in new products, services and solutions" (Bendyk, 2010, p. 71). Therefore, various companies, in their strategies, focus on boosting their innovation level.

Innovation is understood as the implementation of a new or significantly improved product (service, manufacture) or process, a new marketing approach or new organisational method, into business practice, organisation of workstations or the relationship with the surrounding environment (Oslo Manual, 2008, p. 48). In addition, innovation is characterised by a series of research, technological, organisational, financial and trade (commercial) activities aimed at development and implementation of new or significantly improved products or processes (Oslo Manual, 2008, pp. 20-21). The level of a company's innovation is determined by its innovative potential. "The potential is perceived as the ability of a business entity to develop projects, implement and disseminate innovation" (Niedzielski, 2011, p. 119).

A company's level of innovation is determined by numerous factors. Several of them are external and originate from the surrounding environment. In such cases, the company has no influence over them. Such factors present a framework which may constitute opportunities for one business, and threats for another one. At the same time, such factors are complex enough that organisations must analyse them systematically. In addition, they exert considerable influence upon companies' innovation opportunities.

Due to the limited possibility of influencing the external factors by companies, internal determinants gain significant innovative-creative role. The internal determinants encompass organisational factors, which largely depend on companies, and which "develop companies' innovative capacity to innovate" (Kozioł-Nadolna, 2013, p. 48). Among such determinants, M. Kolarz enumerates a company's own R&D and innovation expenditures, number of employees and their qualifications, research skills and experiences, production and marketing factors, and ICT effectiveness, communication and motivation in the organisation (Kolarz, p.57). According to H. van der Meer, there exist two conditions stimulating innovations in a company. One of them is cultural, whose focus is on generating climate for innovation. The other one is structural and encompasses systematic application of innovation mechanisms (Van der Meer, 2007, p. 193). On the other hand, M. Petraitė, B. Janiūnaitė G. Cibulskas classify organisational determinants as „hard”, which encompass organisational structure, infrastructure, strategy, systems for monitoring innovation, and “soft” consisting of leadership and management, organisational culture, learning and communication (Petraitė, Janiūnaitė, Cibulskas, p.4).

The internal determinants create an organisational pro-innovation environment. However, various ranks of influence can be ascribed to them. When assessing the extent to which such factors determine organisations' innovation, M. Smith, M Busi, P. Ball, R. van der Merr formulated the following conclusions (Smith, Busi, Ball, van der Merr, 2008, p. 660):

- there exist nine significant organisational determinants influencing organisations' capacity to innovate. These encompass: management style and leadership, infrastructure and resources, organisational structure, technology, knowledge management, organisations' strategy, pro-innovation employees, innovative process and organisational culture,
- organisational culture is a key factor in innovation management. It is a determinant influencing the remaining ones, but also the one shaped by them.

Several researchers arrived at the conclusion that organisational culture constitutes a significant determinant shaping companies' innovation. "Maintaining innovation in the long-term requires a particular cultural basis present in management processes binding the organisation together" (Głódź, Hładoń, 2010, p. 199). Organisational culture "decides upon the significance of innovation in a company, and is responsible for the emergence of pro-innovation environment" (Gadomska-Lila, 2011, p. 131). "In practice, it means that innovations are based on, and result from, a particular culture, and that innovation and culture influence each another. This is due to that fact that values composing the

culture shape patterns of behaviour in the process of introducing changes” (Jacher,2008, p. 239). According to W. Jacher, this results from the fact that „roots of innovation...can be traced back to individuals’ and groups’ awareness, social identity, social bonds, preferred systems of values...As a cultural value, it is present in thinking, behaviour, activities, and initiatives and entrepreneurship” (Jacher, 2008, p. 241). According to F Zhao, „a culture, which permeates the whole organisation, transforms innovation into a common value. It not only boosts work satisfaction and employees’ motivation, but also improves the organisation’s competitiveness, reaction to change, and innovation on all levels... It also determines the type, the level and swiftness of innovation (Zhao, 2005, pp. 25-42). When considering the role of organisational culture in implementation of innovation, A. Rahuma stated that “innovation is an obligation to hard work, to communicate, for life-long learning, and people who combine intuition, research and development. For understanding innovation, there is no better notion than culture” (Rahuma, Khairuzzaman, Ismail, 2008, p. 25). Therefore, it can be said that “successful implementation of innovations is determined by the level of internalisation of the culture, which signifies the position of innovation in an organisation” (Jacher, 2008, p. 241).

As a consequence, organisational culture constitutes an important element in organisations’ innovation. Therefore, determining cultural values characterising innovative companies, will enable an innovative organisational culture to be described.

## **2. RESEARCH METHODS**

The objective of the study was to diagnose innovative companies’ organisational culture. In accordance with the Oslo Manual, the fact that an innovative company is the one introducing a new or significantly improved product (service, manufacture) or process, a new marketing or organisational method, into business practice, organisation of workstations or relations with the surrounding environment, was acknowledged (Oslo Manual, 2008, p. 48). Research results were to become the basis for formulating conclusions regarding organisational culture as a determinant of the studied companies’ innovation.

The diagnosis was based upon several values such as: focus on people and tasks, small and large distance of authority, low and high communication context, high and low tolerance of insecurity, proactivity and conservatism, individualism and collectivism, focus on the surrounding environment and inside, status based on accomplishments or bestowal.

Surveys based on questionnaires served as the basis for the analysis and description of small, innovative companies’ organisational structure. The questionnaire consisted of 32 terms defining eight opposing values. A five point scale, determining the intensity of the studied phenomenon, was applied (1- low, 5- strong). Analysis of results was based upon the arithmetic mean, outlining the intensity of the assessed cultural values and their aspects.

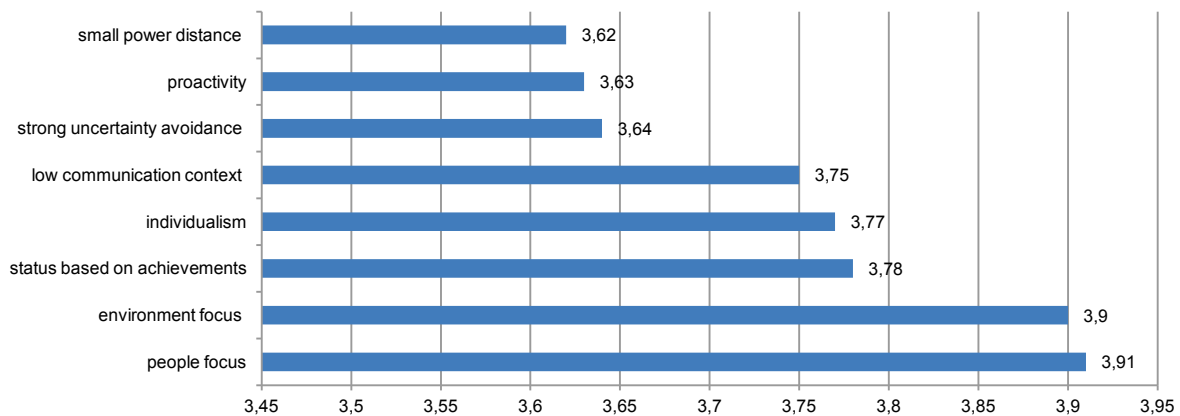
The study encompassed 110 companies representing SME sector, the one that makes up approximately 90% of all business entities in Poland. The studied companies employ between 10 and 49 people, and they have implemented at least one innovation (product, process, organizational or marketing innovation) in the recent years. They represented various sectors (trade, services, production, construction) and their reach was diverse (local, regional, national, international). 1163 respondents completed the questionnaire. The study was conducted in 2012-14 in Poland.

## **3. RESEARCH RESULTS**

The organisational culture was diagnosed on the basis of studies conducted in small, innovative companies. The organisational culture is characterised by the following cultural values (picture 1):

- people focus- 3,91
- environment focus - 3,90
- status based on achievements- 3,78
- individualism- 3,77
- low communication context - 3,75
- strong uncertainty avoidance - 3,64
- proactivity- 3,63
- small power distance - 3,62.

**Picture 1:** Cultural dimensions in small, innovative companies



Source: own study on the basis of research results

Specific results, which outline the percentage the studied values scored and basic descriptive statistics, are presented in table 1.

In case of *people vs. tasks focus*, the diagnosis of the values was based upon measures of success, characteristics of a good manager, and focus on results and human relations. According to respondents, an average intensity is present in both cultures focused on people (3,91) and cultures focused on tasks (3,89). The latter is dominated by economic and financial indicators serving as a benchmark for the company's success (4,0), and places an average importance upon individual tasks and results (3,79). On the other hand, cultures focused on people are defined by almost strong intensity regarding the perception of characteristics of a good manager such as: helpfulness and assistance, generating the feeling of security. Respondents assessed focus on interpersonal relations

in the organisation as average (3,84). In conclusion, the organisational culture of small, innovative companies can be characterised as people focused.

The following variables were applied in the description of *environment focus vs. inside focus* cultural value: identification of employees with the company, tolerance for foreign values, and priority of external relations over the internal issues of the company. Both spheres were assessed as having average significance. However, respondents evaluated environment focus as more significant (3,90) than inside focus (3,52). Such results reflects the management's greater focus on relations with external entities (3,87) than on internal matters (3,41). Environment focus is also acknowledged by an average intensity of tolerance and respect for foreign beliefs (3,93). On the other hand, an average level of employees' identifying with the company (3,64) indicates internal focus. In conclusion, organisational culture of small, innovative companies is environment focused.

**Table 2:** A collection of responses and statistics related to cultural dimensions

| Cultural dimension           | Total        |         |        |
|------------------------------|--------------|---------|--------|
|                              | % occurrence | Average | Median |
| Task focus                   | 82,1         | 3,89    | 4,0    |
| People focus                 | 80,0         | 3,91    | 4,0    |
| Individualism                | 75,8         | 3,77    | 4,0    |
| Collectivism                 | 72,7         | 3,67    | 4,0    |
| Small power distance         | 73,9         | 3,62    | 4,0    |
| Large power distance         | 46,1         | 3,16    | 3,0    |
| Environment focus            | 80,2         | 3,90    | 4,0    |
| Inside focus                 | 60,7         | 3,52    | 3,5    |
| Strong uncertainty avoidance | 72,1         | 3,64    | 4,0    |
| Weak uncertainty avoidance   | 59,7         | 3,46    | 3,5    |
| Proactivity                  | 68,8         | 3,63    | 4,0    |

|                              |      |      |     |
|------------------------------|------|------|-----|
| Conservatism                 | 46,5 | 3,17 | 3,5 |
| Status based on achievements | 75,0 | 3,78 | 4,0 |
| Status based on bestowal     | 69,5 | 3,62 | 4,0 |
| Low communication context    | 79,5 | 3,75 | 4,0 |
| High communication context   | 46,0 | 3,22 | 3,0 |

Source: own study on the basis of research results

*Status based on bestowal vs. status based on achievements* were diagnosed upon the basis of criteria for promotion and the level of respect for the manager. Research results acknowledge an average intensity of both the culture awarding employees' achievements (3,78) as well as that based upon hierarchy and job seniority. Specific results indicate that the respect for superiors results from bestowal (3,86). An employee's standing in the company, on the other hand, depends on their competences (3,82) and assessment containing an element of their development (3,75). Status based on bestowal, which refers to promotion due to job seniority, scored low (3,39). In conclusion, the organisational culture of small, innovative companies is characterised by status based on achievements.

*Individualism vs. collectivism* were assessed on the basis of an individual's priority over the group, and the level of independence being sacrificed for the sake of the common good. Research results indicate an average intensity of individualism (3,77) and collectivism (3,67). Preference for an individual's responsibility in organisations (3,78), and readiness for cooperation but maintaining one's own

independence characterise individualism. It is also manifested in low intensity of priority of group interest over one's own (3,46). On the other hand, collectivism is manifested in avoiding conflicts, a drive towards harmony and responsibility for co-workers (3,88). In conclusion, the studied companies are characterised by individualism.

The diagnosis of *low vs. high communicative context* cultural value was conducted on the basis of respondents' opinions regarding the prevalence of verbal communication over the non-verbal one. Respondents perceived the intensity of low communicative context (3,75) as average and high communicative context as low (3,22). Among the former, respondents assessed the application of verbal communication for acquiring and transferring knowledge as almost high (3,99), and direct and unrestricted expression of one's thoughts as average (3,52). Low communicative context was acknowledged by the relatively low intensity as regards the manifestation of a hidden agenda in statements (3,11) and application of intuition in a conversation (3,33). To sum up, the low communication context applies to the studied small, innovative companies.

The assessment of *strong vs. weak uncertainty avoidance* was based on the following aspects: significance of work in life, employees' inclination towards taking risk, flexibility, and importance of rules in the company's functioning. Research results acknowledged the culture of strong uncertainty avoidance as average (3,64) and culture of weak uncertainty avoidance as low (3,64). Inclination towards risk-taking scored low (3,16). Work as the highest value is perceived with average intensity (3,61). Interestingly, two opposing scores pertain to flexibility. On the one hand, respondents observe regulation of the organisations' life by means of rules and their enforcement (3,69). On the other hand, the management advocates adjusting the rules to circumstances (3,69). Ultimately, the organisational culture of small, innovative companies can be characterised as the one of strong uncertainty avoidance.

The evaluation of *proactivity and conservatism* was based upon respondents' opinions regarding employees' activity, perceiving a change as an opportunity/ threat, and the role of tradition in the companies' functioning. Research results indicate an average intensity as regards proactive culture (3,63) and low intensity regarding conservative culture (3,17). Such results ensued from low scores in the role of tradition in decision-making and actions (3,20), and employees' passive attitude (3,15). The last of the factors corresponds with the perception of employees as active and taking the initiative (3,63) and who perceive changes as opportunities for organisations (3,63). In conclusion, the organisational culture of small, innovative companies is proactive.

The diagnosis of *small vs. large power distance* was conducted on the basis of the following factors: the distance between the management and their subordinates, the type of relations between them and the extent of subordination. Research results indicate the average intensity of small power distance,

and low level of large power distance. The culture of small power distance is acknowledged by the average intensity of friendly and sociable relationships between the superiors and subordinates (3,96). Low scores pertaining to the power distance also justify the existence of the above cultural dimension (3,24). On the other hand, when interpreting research results, it is difficult to define the level of power distance on the basis of the extent of subordination unequivocally. Respondents' scored non-transfer of business relations outside workplace (3,28) and the opposite phenomenon i.e. the transfer of such relations (3,10) as low. To summarise, the organisational culture of small, innovative companies is characterised by small power distance.

#### 4. CONCLUSIONS

Research results enabled the cultural values boosting small companies' innovation to be identified. These encompass: people focus, environment focus, status based on achievements, individualism, low communicative context, strong uncertainty avoidance, proactivity, small power distance. Innovation culture is so strongly focused on their environment. Such direction of focus is driven by the low communicative context and small power distance. A significant role in developing cooperation with external entities is played by employees' proactive attitude and embrace of accomplishments, to be taken into consideration while giving promotions or simply evaluating their work. Small businesses prioritise independent accomplishment of tasks and managing challenges. Employees also find support in the management's pro-social policy. Businesses care for their quality of life and treat them as equal partners. Employees are characterised by low avoidance of insecurity.

The majority of the enumerated cultural values do not seem controversial in their perception as being beneficial for innovation. This is due to the fact that they generate a particular cultural environment which facilitates employees' innovative way of thinking and acting, and stimulate their innovative characteristics. People focus develops involvement, trust, open communication, and team work. Environment focus facilitates cooperation, foresight, and results focus. Status based on achievements awards creativity, resourcefulness, learning and professional development. Individualism consolidates autonomy, individual's work. Low communicative context facilitates clear and open communication, teamwork, knowledge sharing. Proactivity stimulates interdisciplinary ideas, creativity, courage, flexibility, embracement of changes, and experimenting. Low power distance grants the right to be wrong, reduces the distance of authority, facilitates the change of organisational roles, and implementation of participatory management.

However, it is difficult to agree with the research results pertaining to the beneficial influence of strong uncertainty avoidance for companies' innovation. Such determinant denotes high anxiety levels in face of novelties, insecurity and ambiguity. Such attitude of employees will, thus, hinder their creative resourcefulness and innovative inquisitiveness. They will search for proven methods, follow rules and standards instead of taking a risk and thinking outside the box. Such results, however, reflect the Polish reality of the economic transformation. Undeniably, low activity of Polish employees, including that associated with innovation, is a remnant of the socialist economy. This also results from the fact that majority of Polish innovations are of external (originate from the outside), and rolling character i.e. a gradually improved product or service. Apart from that, motivation and reward systems do not take into account the employees' innovation as a factor, and even if they do, it only encompasses the selected few.

In conclusion, research results allow to acknowledge that:

- the organisational culture of small enterprises is characterised by: people focus, environment focus, status based on achievements, individualism, low communicative context, strong uncertainty avoidance, proactivity, small power distance.
- the majority of the identified cultural values may be regarded as promoting innovation. Therefore, it can be inferred that the organisational culture of the studied companies manifests pro-innovation features.
- the study did not aim at determining which of the evaluated values exert a greater impact upon innovation. However, it seems that low avoidance of insecurity and proactivity epitomize the essence of employees' innovative actions. The remaining values create an environment in which the avoidance of insecurity, and proactivity can be fostered.
- the evaluated companies are characterised by high avoidance of insecurity. On the other hand, proactivity is low.

- taking the above-mentioned conclusions into consideration, the claim that the culture of the studied innovative companies possesses pro-innovation potential, which inhibits high avoidance of insecurity and employees' low proactivity, can be made.

Naturally, the above-mentioned conclusions cannot become the basis for generalisations. However, they allow for an insight into the organisational culture fostering innovations in Polish small businesses, and as such, can constitute a benchmark for other countries or sectors. Further studies may encompass the following research problems:

- the significance of organisational culture as a factor promoting innovation in comparison to other determinants, such as management style, organisational structure, technology, strategy,
- which cultural values have the greatest impact upon employees' innovative activity,
- what correlations exist between organisational culture and the company's innovation assessed with regards to the potential, process and effects of innovation.

## REFERENCE LIST

1. Bendyk, E. (2010). Kulturowe i społeczne uwarunkowania innowacyjności. In P. Zadura-Lichota (Ed.), *Innowacyjność* (pp.71-89). Warszawa. Wydawca: Polska Agencja Rozwoju Przedsiębiorczości.
2. Gadomska-Lila, K. (2011). Budowanie kultury innowacyjności w świetle badań empirycznych. *Współczesne zarządzanie*, 1, 124-133.
3. Głódź, G., Hładoń, W. (2010). Kształtowanie proinnowacyjnej kultury organizacyjnej. In H. Bieniok, T. Kraśnicka (Ed.), *Innowacje w zarządzaniu przedsiębiorstwem oraz instytucjami sektora publicznego. Teoria i praktyka* (pp. 199-209). Katowice. Wydawnictwo Akademii Ekonomicznej.
4. Jacher, W. (2008). Kulturowe wymiary innowacji. In W. Pawik, L. Zbiegień-Maciąg (Ed.), *Organizacje w gospodarce innowacyjnej – aspekty społeczne, prawne, psychologiczne* (pp. 239-244). Kraków. Wydawnictwo Akademii Górniczo-Hutniczej.
5. Kolarz, M. (2006). *Wpływ zagranicznych inwestycji bezpośrednich na innowacyjność przedsiębiorstw w Polsce*. Katowice. Wydawnictwo Uniwersytetu Śląskiego.
6. Kozioł- Nadolna, K. (2013). Ekonomiczne uwarunkowania działalności innowacyjnej przedsiębiorstw w Polsce. In A. Świadek, J. Wiśniewska (Ed.), *Innowacje przyszłością rozwoju gospodarki* (pp. 48-58). Szczecin. Naukowe Wydawnictwo IVG.
7. Niedzielski, P. (2011). Innowacyjność. In K.B. Matusiak (Ed.), *Innowacje i transfer technologii. Słownik pojęć* (p. 119). Warszawa. Wydawca: Polska Agencja Rozwoju Przedsiębiorczości.
8. Petraitė, M., Janiūnaitė, Cibulskas, B. G. *Diversity of innovation culture profiles in business organizations*, Retrieved from www.ispim.org.
9. *Podręcznik Oslo: zasady gromadzenia i interpretacji danych dotyczących innowacji (2008)*. Warszawa. Wydawnictwo: Ministerstwo Nauki i Szkolnictwa Wyższego, Departament Strategii i Rozwoju Nauki.
10. Rahuma, A.M., Khairuzzaman, W., Ismai, I.W. (2008). Culture of Innovation. In N. A. Talib, A. A. Senin (Ed.), *Technology Management Theory & Practice* (pp.13-32). Malaysia. Penerbit.
11. Smith, M., Busi, M., Ball, P., Van der Merr, R., (2008). Factors Influencing an organization's ability to manage innovation a structured literature review and conceptual model. *International Journal of Innovation Management*, 12(4), 655-676.
12. Van der Meer, H. (2007). Open Innovation – The Dutch Treat: Challenges in Thinking in Business Models. *Creativity and Innovation Management*, 16(2), 130-138.
13. Zhao, F. (2005). Exploring The Synergy Between Entrepreneurship and Innovation. *International Journal of Entrepreneurial Behaviour & Research*, 11(1), 25-42.