

## The Role of Organizational Culture in Innovative Activities

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### Abstract

*In today's increasingly competitive environment, technology is fast development significantly changes the business environment. In the given conditions innovative behavior is an important aspect of business development.*

*Organizational aspects of companies are discussed and studied in the paper theoretical foundations of culture in terms of innovative activity. Right here issues of innovative culture formation and with it are discussed related problems.*

*The purpose of this paper is to analyze the impact organizational culture on management of innovation processes. Organizational culture is the uniqueness of each organization and defines unrepeatability. Companies with a strong culture they tend to achieve more in their operation higher efficiency than companies with low culture.*

*There is no doubt that it is innovative behavior that makes enterprises sustainable the key to competitiveness, culture is the best of this business supportive. Therefore, it is important for the scientific community active involvement in ongoing processes, which is related with the in-depth study of innovative processes and it's with support.*

**Key words:** Innovation; Organizational culture; Formation of innovative culture; Innovative process; Efficiency.

**J.E.L. classification:** A1, M.

### 1. Introduction

In the modern era of globalization, global changes and the rapidly evolving competitive environment have significantly increased the need for new directions and opportunities in business. To achieve competitive advantage, it is crucial for companies to adapt to changes and implement innovations. However, this often proves challenging due to entrenched inefficient organizational cultures within companies, which frequently fail to motivate employees. As technology advances, human and intellectual resources become increasingly important. Consequently, human resource management demands greater effort and complex approaches from managers. They strive to enhance employee motivation, as organizational success largely depends on innovative approaches and the quality of work performed by employees.

A key factor in the sustainable economic development of a country is economic growth. According to classical economic recommendations, if a country's annual economic growth rate does not exceed 4%, it must adopt a sharply innovative approach to development. Otherwise, the country risks lagging so far behind that catching up with other nations in the foreseeable future becomes unrealistic (Zazadze & Rusiashvili, 2024, p. 3). Therefore, innovation processes play a significant role in economic growth and development, both at the national and organizational levels. Considering the challenging and dynamic

competitive environment, it is unsurprising that demand for innovation continues to rise. Numerous scientific studies highlight a positive correlation between innovation and desired performance outcomes.

Interest around organizational culture increased in the 2000s. and regarding innovative activities in the last 10 years. Classification of organizational culture, its types, features of innovative culture and a number of issues are not sufficiently reflected in the scientific literature. There is no consensus among scientists on the definition of the concept of "organizational culture" and its importance for the effectiveness of organizing innovative activities. The conditions under which the need for innovative culture arises have not been established. The peculiarities of innovative culture in developing countries have not been studied.

The purpose of the article is to discuss and study the role of organizational culture in the innovative activities of organizations based on the information found. The tasks of the paper are: based on the works of Georgian and foreign scientists: 1) definition-discussion of the terms - "organizational culture" and "innovative organizational culture"; 2) review of organizational culture formation issues; 3) determination of organizational culture structure; 4) in-depth study of organizational culture and innovative activities based on the sources found and used; 5) Analyzing the information found around the research topic and drawing logical conclusions, determining the relevance to the research goal.

The results of the research are interesting both for scientists and researchers in the field of economics, business and management, as well as for heads of organizations, as well as for anyone interested in this topic.

## 2. Literature review

In the process of working on the paper, we got acquainted with both empirical and statistical data, as well as theoretical material. The article provides for the processing of secondary analytical materials based on open sources. In the process of finding fundamental and relevant material, first of all attention was paid to the reliability of the source, its recognition and familiarity. During the research, we focused on scientific sources and reviewed the publications of both Georgian and foreign researchers on the topic, such as: to describe the organizational culture and its levels, we relied on the fundamental work of E. Schein - "Organizational Culture and Leadership" (1985), (Schein, 2004).

The term "organizational culture" has been used since the 18th century, although the development of concepts around it was unsystematic during this period.

Official documents of the Government of Georgia were also used: E.g.: In Georgia, regarding the support of innovative strategies, we discussed the government document - "Georgian Law on Innovations, 2016" (Georgia, 2016)

Internet materials: as an example of existing measures to support innovations in Georgia, we used the article found on the Internet: "The first technological park was opened in Georgia" (11.01.2016) (Kvirikashvili, 2016).

Statistical information: In order to evaluate the innovative processes in Georgia in 2019-2023, we reviewed the material- "Georgia in the Global Innovation Index". (Dutta & Lanvin, 2020); (Information, 2024)

In the process of searching for sources, we got to know and discussed the recommendations of various experts. All sources are indicated in the main text of the work and in the bibliography. In the first stage of working on the article, the actual material found was studied and processed, and in the next stage, an in-depth, fundamental analysis of the obtained data took place, which was formulated in the form of conclusions in the paper.

### 3. Research methodology

The research paper is a general-scientific study. Its methodological foundation comprises theoretical-empirical research methods, statistical analysis, and logical approaches.

The research is based on secondary data, ensuring methodological reliability, accuracy, and replicability. The theoretical foundation of the study draws on the works of Georgian and international researchers in the fields of organizational culture and innovation management. Additionally, it utilizes official documents from the Georgian government, journals, scientific articles, personal studies, research findings from local and international organizations, statistical data, and online resources.

The study employs the following research methods:

- *Theoretical Research*: The primary method of the study involves observing and analyzing theories and studies found in global literature. By examining practical examples of applying these conclusions, the study determines the impact of corporate culture on international business management.
- *Empirical Research*: Following the theoretical analysis, the study examines the organizational structure of a foreign company. This empirical research serves to validate the conclusions drawn in the paper.
- *Logical Method*: Based on the data obtained from theoretical and empirical research, the study uses logical methods to summarize the findings and derive final conclusions, which are presented in the concluding section of the paper.

### 4. Findings

At the current stage of development, innovative activity is the main factor in production development and raising competitiveness. This problem is particularly acute for the economies of developing countries, because they must not only maintain their current position, but also conquer and become stronger. In Georgia, innovative activity is recognized as a strategic priority. The priority directions for creation and implementation of innovations have been developed. In order to stimulate innovative activities, legislative measures were taken and the Law on Innovations was adopted (Law on Innovations of Georgia, 2016). Also, in 2016, the first technological park in Georgia was created in Okrokana to support innovation. It was built by the Innovation and Technology Agency of Economy and Sustainable Development LLC. The main goal of the technology park was to increase knowledge-based small and medium-sized enterprises and their development. (Kvirikashvili, 2016)

Despite a number of successful projects, the level of innovative development in Georgia is still quite low. Compared to 2019, the situation worsens, in 1920, only three of the 7 indices for upper-middle income countries met the growth rate. These indices are: institutions, human capital and market environment, which were evaluated above the average of these countries. As for the other 4 categories: infrastructure, level of business development, knowledge and technologies, and creativity were evaluated with below average scores. (Dutta & Lanvin, 2020)

As for the analysis of the GII of 2022-23 according to categories, it is given in Table 1. (Information, 2024)

Georgia in the GII rating (2019-2023) looks like this: 2019 - 48th place; 2020-2021 – 63 rd place; 2022 – 74 th place; 2023 - 65th place; As we can see, the results significantly worsened after the pandemic, in addition, methodological changes of the GII took place.

Table no. 1. Global Innovation Index, Georgia 2022-2023 YY

	2022 rating	2023 rating	Change
Institutions	30	25	+5
Level of business development	64	58	+6
Human capital and research	70	69	+1
Market environment	72	77	-5
Knowledge and technologies	75	72	+3
Infrastructure	83	80	+3
Creative products	86	81	+5

Source: (Information, 2024)

Organizational culture determines the concern for the welfare of employees, as well as the behavior of employees and the characteristics of their interaction.

Organizational culture has been defined by many scholars in different ways. The term "organizational culture" has been used since the 18th century, although the development of concepts around it was unsystematic during this period. Many scientists, including E.Schein, M. Ellveson, and others, played a major role in the development and further development of this concept. (M. Ellveson, 2005). In the 1980s, the term "organizational culture" became a subject of active discussion for scientists and various types of organizations. He became famous in the 1990s. The term "organizational culture" was used by the managers, sociologists and various scientists of the time to describe the character and social system of the company, which included shared norms of values, management strategies, interdependence of personnel, their beliefs and habits, work environment, etc.

According to Professor K. Cacciattolo of the University of Malta, there are two approaches. One - interpretation method, according to the environment in the company, second - structural method, focuses on the structure of positions in the organization. (Cacciattolo, 2014)

Scientist Diana Pessy, in her book - "Organizational culture: types and transformations", formulates her opinion and believes that organizational culture originates from the psychology and sociology of personnel, although she considers the work mode to be the main component of the formation of organizational culture. (Pheysey, 2003)

To describe the levels of organizational culture, we will rely on Schein's three-level structure. E. Schein considers organizational culture as a social force that is mostly invisible, but very powerful.(Schein, 2004)

- ✓ The first level is the level of behavior and artifacts, which is manifested in the arrangement of the work environment, technologies, people's dressing style, attitudes and behaviors.
- ✓ The second level - the values recognized by the organization largely determine the behavior;
- ✓ The third level - views and representations.

According to Shane, to truly understand culture, we must go to its deepest layer, the third layer.

The characteristics of organizational culture, which explain the essence of organizational culture, are: consideration of risks during innovation; Focus on details and results; Human resource orientation, competitiveness, sustainable development (Schein, 2004). Evaluating an organization with low or high indicators of these qualities gives us a picture of its culture and a basis for how employees see the organization, how things are done and how they are expected to behave. It is the different levels of these dimensions that lead to sharp differences between companies.

Both functional and dysfunctional aspects of organizational culture are presented in the work. Culture has a defining role: it distinguishes one company from another, it creates an identity for company members, it generates commitment to a larger scale than individual, self-interest, it contributes to the stability of the social system; It is a kind of social glue that unites the organization with standards that employees adhere to and share with each other; It is a control mechanism that shapes and manages employees' behaviors and attitudes, and finally, it creates the rules of the game; organizational climate.

A positive work environment is directly related to customer satisfaction and, ultimately, to the company's financial condition.

Although organizational culture has numerous functional aspects, we should not ignore the impeding aspects of culture, especially strong culture, on organizational effectiveness. These are:

- Institutionalization;
- Barriers to change;
- Barriers to diversity;
- Barriers to merging companies.

It is obvious that organizational culture is an important mechanism of organization management. When studying it, we should take into account the fact that it is influenced by national culture and its peculiarities. Just as nations differ from each other in terms of cultural data, organizations also have their own unique characteristics.

One of the most popular typologies of organizational culture K. Cameron and R. It belongs to Quinn. This typology is based on the "Competing Values Model" they developed. The authors distinguished four groups of criteria that determine the main values of the organization: stability and control; discretion and flexibility; integration and internal focus; Differentiation and external focus. (Cameron & Quinn, 2011).

Four types of culture are known, which are based on different competing values:

- Clan it is distinguished by collaborative (joint) and negotiated, clan management;
- Adhocratic - distinguished by innovative, adaptive and flexible, informal management;
- Hierarchical - is characterized by controlled and constantly hierarchical management;
- Market - competitive and customer-oriented.

As we can see, the essential difference between the listed cultures refers to such basic parameters of the organization as: the principle of leader selection and the decision-making process; The manner of distribution of responsibility and consolidation of functions and the place and role of specific human interests in the organization's activities.

A strong organizational culture requires less effort on the part of management to introduce formal rules and regulations to regulate employee behavior. A strong culture reduces the outflow of human resources, because shared values can give us a sense of inseparable belonging to the organization, guaranteeing the stability of the social system. Such unanimity strengthens organizational commitment, cohesion and accountability and increases the continuity of employee behavior for the benefit of the organization. In case of a weak organizational culture, the activities of the organization are mostly based on personal principles and values.

Organizational culture is the way of life of an organization, which is mainly expressed in the behavior of its employees.

Organizational culture is represented by the basic principles that employees adhere to while performing their duties; in cost indications; in leadership and management style; in the existing communication system; the position, place and importance of employees of the organization; Peculiarities of internal relations of the company; Symbolism, customs, traditions, etc.

Organizational culture is designed to ensure the mobilization of the company's personnel to achieve its goals, instill in employees commitment to accepted values, loyalty to the company's management, and ultimately improve the effectiveness of the organization as a whole. Underestimation of the role of culture hinders the development of the organization. Studies have shown that strengthening organizational culture, which is not accompanied by changes in other working conditions, increases the productivity of employees by 15-25%, and organizations with ambiguous and contradictory cultures are ineffective in market conditions and lose their competitive advantage.

At the same time, a strong culture that is not aligned with the organization's goals and strategy will be a serious obstacle to employee participation in innovation. The concept of innovative activity includes activities aimed at creating innovations, know-how and their further implementation in production and economic activities.

Innovative development is intensive development, that is, more productive, productive and efficient development, when more benefits are obtained from investing the same resource. One of the important issues of innovative development is the correct and effective management of innovative processes, which

is the key to sustainable competitiveness of companies. Management of innovative processes and motivation of behavior is influenced by organizational culture of production.

Innovative activity is based on the concept of innovation, which is "directed changes in the industrial, technical, economic, environmental and social spheres of enterprises, carried out under the influence of new ideas, product models, technologies, etc."

Innovative development of the enterprise is served by discoveries, inventions and rationalization proposals.

Organizational culture helps to stimulate the innovative activity of the company's employees, if it performs the following functions: - creates a unique image of the innovative company; - participates in socialization, directs new employees to creative activities; - shapes employee behavior aimed at achieving the company's goals; - supports values, norms and rules that promote innovation, promotes the introduction and dissemination of innovations; - develops a sense of belonging and unity among the employees of the enterprise, increases loyalty to the enterprise and job satisfaction.

All of the above will have a positive impact on innovative behavior at the next stage of the organization's innovative development:

- 1) Dissemination of positive examples from the experience of employees that demonstrate understand the importance of innovation;
- 2) Promotion of creative presentation of innovative news;
- 3) Training programs provided for top management and managers, which allow them to identify profitable projects, avoid unprofitable expenses, as well as train prospective employees;
- 4) Clear instructions explaining to employees the prospects of professional and career development as a result of participation in innovative development;
- 5) Discussion of ideas and opinions; If their adherence leads to employee behavior that conflicts with the company's goals and strategy, then such ideas and beliefs must be adjusted;
- 6) Distribution of merit, offering a reward system that takes into account the merits of developers: deadlines, originality, work individually or in groups, etc.;
- 7) The right to take risks and make mistakes. The threat of punishment in case of failure does not stimulate the staff to further innovative activities. Employees should be given a certificate for participation or appreciation for activity to encourage innovative activities.

Researchers from Vietnam Ph. T. Nham, Ph. H. G. Pham, N. Nguyen conducted a study to determine the influence of organizational culture on innovative activities in "N" Vietnamese company. They considered the following dimensions of organizational culture: strategy; obligation; confidence; Behavior that promotes innovation (encouraging risk, generating a large number of new ideas; working environment (methods of interaction and conflict resolution, monitoring work results, etc.), customer orientation (understanding customer needs, improving service); management support (error tolerance, open discussion, provision of equipment and resources); leadership. (Nham, et al., 2014, p. 30)

By analyzing data from 124 respondents, using factor analysis and regression analysis, the researchers found that five of the eight dimensions of organizational culture: management support, strategy, work environment, customer orientation, and leadership have a positive impact on innovation performance. The three remaining factors, including loyalty, trust and behavior that promotes innovation, did not show a statistically reliable relationship with any type of innovative activity of employees, but with the existing rules of the enterprise, organizational culture.) It can be noted that in this case innovation is promoted not so much by employees characteristics, but also the rules and organizational culture in the enterprise. (Nham, et al., 2014, pp. 34-35).

Thus, organizational culture is an important factor affecting the innovative activity of the enterprise. It can both encourage innovative behavior of employees and eliminate any deviations from accepted standards in the organization.

## 5. Conclusions

The role of innovation-oriented organizational culture is that it forms the innovative behavior of employees as a natural and necessary condition for the development of the organization. Moreover, such a culture can be formed with the active help of the organization's management. Based on the theoretical study of the issue and the conducted research, we conclude that in the era of globalization, organizational culture has an important place in innovative activities. In the company's innovative activity, it is an important variable that determines a specific way of solving problems and conflicting issues, which is necessary for the integrity, success and development of the organization.

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