

## **DEVELOPMENT OF CORPORATE CULTURE OF INNOVATIONS**

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### **Abstract**

In many organizations implementation of innovation is initiated by the management with application of so-called “top-down” approach: strategic targets and key success factors with the initiatives of its achieving are formed and consolidated in different regulations, procedures, rules and instructions, which are brought to concrete employees later. The feedback from employees is occurred on the fact of initiative execution in form of corrective procedures locally, but the forming of innovation is still the top-management prerogative.

Such centric approach is mostly demotivating approach for initiative employees, who generate, implement and use innovation ideas. For this problem correction hybrid methods are used. The creation of special department inside the company is supposed to be done. It bears duties of innovation catalyst (usually R&D and HR departments have this role). Among other things this department is responsible for inspiration of average executive on development of innovation, determination and consolidation of corporate values and standards of behavior. In the end, the employees orientation on single corporate targets, the increase of corporate spirit would again “top-down” imposed and the department is just the retransmitter of values that are determined by the management.

How should the politics of relations between colleagues, clients and partners be naturally created and how to establish the awareness by the company employees of their personal responsibility and their personal role in corporate values realization, creation of innovation atmosphere inside the organization that does not resist the innovation? The approach, which is described in this article, supposes the forming of distributed network inside the organization with the transfer to it the general effort in the sphere of creating innovations and implementing the corporate ethics principals.

## **CORPORATE VALUES**

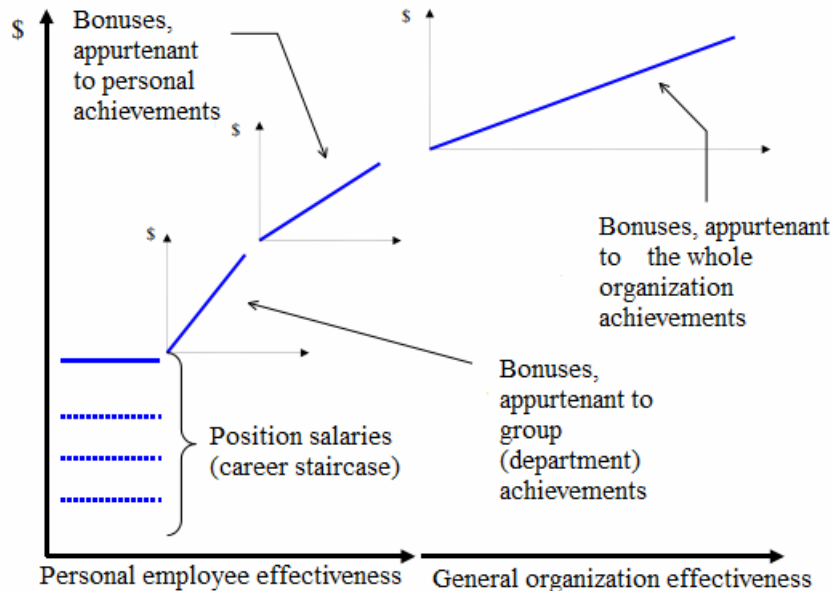
Typical situation during the implementation of innovations is the resistance from the linear units and the middle management. What is the real reason for such attitude? Change acceptance means changes in culture, organization structure and processes that let the innovations become a part of everyday life. The major success factor will be the support the corporate values and innovation tolerance by employees of the company.

Corporate culture is the powerful strategic tool, which allows orienting all departments and single person on common targets, mobilizing initiative from the employees, and facilitating productive communication among them[3]. If the management does not realize this, the level of trust, which is needed for forming culture of innovation, will never be reached. Innovations under these conditions will permanently be under threat of disruption.

Below the general corporate values are listed. They are the foundation for corporate culture of the modern innovation company.

Each employee of the organization must consider himself not as its separate part, but as its unit, that is the joining factor. The feeling of belonging to organization is formed on the base of many factors, motivating factors are the first. Usually managers consider the motivation system as the tool that based on the personal payments to the employee (see the picture 1):

Picture 1. Typical scheme of material stimulation distribution



According to the accepted motivation systems, the employee in “domestic” enterprise gets:

- Base salary depending on the hierarchical level of management;
- Bonuses according to the results of the activity of the department for accounting period;
- Bonuses according to the personal activity of the employee (personal bonuses for project execution, commissions);

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- Bonuses according to the results of the whole organization activity (annual bonuses)

All these motivation “elements” can be sorted on three general groups:

- Elements, appurtenant to personal achievements;
- Elements, appurtenant to group (department) achievements;
- Elements, appurtenant to collective achievements in the network of the whole organization.

The scheme, described above, gradually loses its effectiveness. At first, during the regularly bonus and commissions payment, the value and motivating influence sharply comes down – the person becomes accustomed to them and evaluates them as a form of salary and any decreasing such, per se additional, payment is apprehended as the humiliation from the employer. Secondly, the initial motivating impact of variable part of payment, as a rule, motivates the creativity of the employee. But, in practice, the active creativity is not demanded by the employer in most cases, because all innovations traditionally “top-down” imposed. The conflict on the base of lack of communication appears, the motivating impact is compensated by the negative attitude towards the impulse of innovation.

## **COLLABORATION**

Key condition of the company’s success – the achievement of specified targets due to congruent and fruitful work of the group of like-minded people. Trust is the most important low of innovation culture. Naturally, this environment appears and will continue to exist only if the open dialog is available, which signify the joint operation, information accessibility, and also the aspiration of employees for trust. The only one moral method of motivation, that is traditionally used in Russia, at the moment is the method of personal communication. There are several motivating factors in this case:

- Factor of attention and protection from the top-manager – there is someone to communicate, someone to test ideas, someone to cry on the shoulder and ask for defence;
- Factor of “*our man*” – a person with whom manager want to work, to support him and it is improperly to deceive him;
- Factor of belonging – the closeness to the centre of decision making, advance information and holding the confidential information – all these factors considerably increase the employee status;
- Factor of influence – close contacts with the centre of decision making provoke “adviser syndrome”, when the employee tends to either emotionally or intellectually influence on decision making. If it occurs, the employee starts to influence on the manager with the aim of self-status consolidation, giving himself the weight as a leader of informal group, which is possibly not formed yet.

Praise in the face of other colleagues – is the second method of motivation. It brings several factors that can be used in the management:

- Status factor – if the employee is praised in public, this means that the employee become closer to the manager, receives the moral right for some leading position;

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- Command factor – those, who was praised in public, starts to feel himself as a part of the “command”, the feeling of the responsibility for common result appears;
- Single-out factor – praising someone, the manager destroys the informal connections of praised employee, especially, if the employee is singled-out on the negative general attitude towards other group members;
- Goal-setting factor – public praise, practically, is the reflection of the manager’s goals, shows to other employee the “the govermental line”.

**Patterns of conduct**

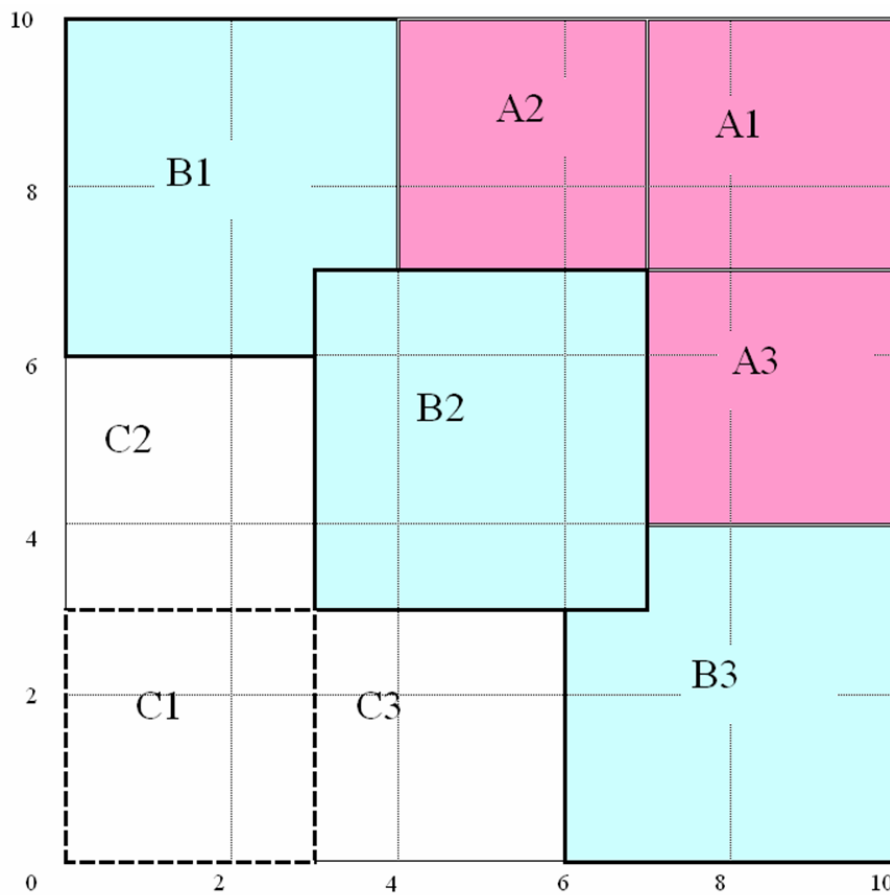
Employee should understand that his behaviour, actions and movements influence on the company’s business image forming. The development of business ethical standards takes off the “cultural” barriers of technological chains between companies from different countries and economic sectors. In this case the mechanism of business (national) culture forming should be considered as the adjusting of real existing models and norms at the national level to the standard business culture. Doing this, the last one is considered as the code of abstract rules, which integrates the world management experience, but not its national models.

Only a few time ago, in 2000-2001 years to the big financial-productive groups has realized the need of directed personnel's upbringing of feeling of belonging to the single company and the estimation of the level of this belonging[3].

For research of the methods of corporate culture forming and implementing to the activity of Russian companies, which support the spread of innovation the method of type "how ethical your work behaviour is?[4] For the estimation of the existing level of trust most companies use the following questionnaire: "estimate with the scale from 1 to 10, where 10 points- is the highest degree if quality, the following: belonging to the company, sense of duty, collaboration, tutoring, professional compliance, orientation on the result, effective communication, responsibility".

According to the results, each employee is awarded with points; on base of them each employee goes through the re-attestation. Picture 2.

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- A1 – zone of the change in functionality
- A2 – zone professional growth
- A3 – zone stagnation
- B1- zone active learning
- B2 – zone active development
- B3 – zone constructive dismissal
- C1 – zone of active dismissal
- C2 – zone «zero»
- C3 – zone of planned dismissal

In the approach, described above, the rating of the employee is formed in unnatural way on the base of expert assessment, which initiates too formalized approach to the activity estimation only for the sake of appearance.

### **Corporate social nets**

An approach to the elements of corporate culture implementation into everyday activity is the creation of network organization [5]. Actually, the great amount of successful companies correspond to the symbiosis of central management and control with distributed network of independent, but connected to each other, nodes [5]. Network works, despite of the fact that the system in the whole and control and management structures particularly gives in best case fragmented conception of the organizational activity, of the needed volume of the work, and of approximate strategic direction of the move.

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Networks consist from nodes (agents) and connections between them. Nodes involve the work of the people and equipment (such as servers that store the information). Connections – not only the type of nodes connection with each other but also the reason for this connection – information flows or management control.

### **Types of network**

There are several types of network. Some do for innovation culture creation, others do not.

In the structure with high connectivity and high level of centrality the process of formation and development of innovation will depend on the reaction of central node (top-management). If the central node supports the innovation, that has been already accepted by other nodes, and becomes the leader of changes, the speed of innovation spread will be the highest. If the central node is the only node which carries the innovation, then the attempt to impose it will be unsuccessful. The examples of such network are the “star” networks. The centre determines the frames and volume of the work; this is the “top-down” spread of innovation.

Other is the network, which is organized by the principal of market trade “from hands in hands”. This structure with high connectivity of the nodes and low level of centrality, where innovation will spread free enough and comparatively fast will involve the whole structure. Users are directly connected with each other, at the same time as the network plays the role of mediator. Such network supposes the direct interaction and ideas commerce. By exactly this, expert, principal is recommended in management to form innovative project groups. At the same time the speed of innovation spread in such structures will not be the maximum, because the equality of the nodes in some cases will require bigger amount. From the other hand, the selection of innovation as a result of such repeated communicative approbation will be more evolutionary secures.

One more method of network organization is the open collective source (Wikipedia, for example), supported by the users. By the joint efforts of the users, they form those things that cannot be done separately by each other. User connected with each other due to great amount of collective work results. This allows great amount of employees to work jointly under idea out of direct communication with each other.

### **Network organization as a generator of innovation**

For the successful network work, network participants should find in themselves the motives, which force them to become a member of the network and to contribute to its development. Those motives should be the corporate values, which are the base for innovation culture creation. If in the process only external motives are involved, for example the reward for joining to the network, the success achievement becomes problematic. Networks are needed in both the mechanisms of new ideas creation and the people, who create these ideas.

In the capacity of the mechanism, the rules, founded on the corporate values, should be used. In the capacity of the employee’s estimation, the ratings, generalized their contribution into the network and shown their reputation, can be implemented. Community by itself range its members, and also the quality if products and services, that are contributed to each of them in the process of joint work in the company.

In addition, in the network it is easy to find popular ideas, grouped according to shown interest to them. All employees and information are connected. If one person suggests the innovation, other user should have the possibility to see, how it is connected with other

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innovations and employees. During this either innovation involve the links to other suggestions or search engine allows finding the links between them.

Thus in the innovation culture the network is used in the everyday activity of each its member for:

- Stimulation of innovation and discussion generation;
- Innovation estimation and approbation on the base of limited rating usage;
- Sharing with the test results;
- Estimation of employees by their contribution to the network;
- Combine suggestions, tests and experiments in a new way and in the end stimulate more creation of innovations.

### **The phase of innovation appearance**

#### *The “down-top” phase of innovation appearance*

The appearance of innovations is characterized by the deviation from the standard manner of acting, procedure and business-processes execution, which has been created by the employee in the process of his work and processing of incoming information. The task of innovation appearance research can be formulate as revealing of everything that is different from ordinary activity of the organization, that brings to the rise of work effectiveness. Employee, being the member of the network, put the information to the network. Other agents of the network, being experts of the area, to which innovation is referred, estimate its value, leave feedback, generating ipso facto innovation rating. In case when innovation is recognized as useful it passes to the next phase of formation.

#### *The “top-down” phase of innovation appearance*

The reason of innovation appearance is internal or external order. In that case one of the network agents (top-manager) pose innovation to the network and bring the information to all employees of the organization in such manner to get feedback from them at the same time.

### **The phase of innovation formation**

After the appearance the innovation passes to the phase of formation. At this stage with the help of natural selection the network ranges the innovations. From the theory of self organization's point of view the stage of formation is the stage of innovation natural selection and making decision about its value. At this stage either the acceptance or the refusal of innovation by the early followers occurs or it remains unnoticed. Natural selection occurs among the closest, connected with the innovator employees that are constantly interact with the innovator. At the current stage network interaction creates conditions, favoured the innovation discussion, that are enough for making adequate constructive decision about its future implementation or refusal. There are several ways for innovation development at the stage of formation:

- Innovation is considered as a random deviation and is not accepted by the organization. The reason for it can be the innovator's weakness or lack of company's resources.

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- Innovation is accepted and goes to the stage of implementation in the company. It turns into innovation and is not considered as deviation any more. In the theory of self-organization it can be explained due to the fact that as the result of innovation acceptance by growing number of nodes of social system, the some critical mass of innovation supporters achievement occurs, which leads to the change of existing position of the system. The projecting of its implementation occurs.

### **The stage of innovation implementation and routinization**

On the next stage accepted innovation is implemented to the system and reorganizes it. After that it does not an innovation any more. It becomes a tradition. It is very important to take into account the fact that during the innovation implementation the resistance from employees is possible. It should be levelled by the devotion to the corporate values.

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### **Conclusion**

In order to understand the requirements for creating innovative environment in the organization, supported by the information system, the methodological foundations of innovation spread in the social system should be considered, as well as the influence of corporate values on the employees' behaviour. At the moment organizations do not attend to the process of innovation creation, mostly the description of the controlled organized processes and “top-down” innovation implementation occur. The appearance of value in form of innovation in this case can not be fixed at all. It follows from this that the research of innovation, its formation in amergent, spontaneously updated, hardly managed social structures, particularly represented one or the other organization, - is the necessary condition to support and improvement of innovation activity.

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