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Providing Flexibility to the Organizations through Innovation and Creativity

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Abstract

Flexibility is the capacity to adapt to a challenging environment or preference to change. It is either adaptive without any external pressure or to enhance the productivity of the organization. Change and adaptation play a significance role for innovation and explore the creativity capacity. In this article, we examine how different types of flexibility can play a major part in the innovation process. First, we discuss how flexible cognition and a flexible personality of the employee and leadership can facilitate the process of innovations. Second, we discuss how flexibility can be beneficial to the organizations for innovations. Lastly, we use the benefits of flexibility for innovation to illuminate and present some approaches to the improvement of flexibility – both of employees and of the organization – for innovation. Innovation is the cornerstone of competitive advantage. This emphasizes the measures of change and implementing an innovative culture within the organization. With these new attitudes, policies and practices the innovative organization discarded obsolete processes and products. New core competencies have to be sought after. These must take into account all employees. Due to constant socio-economic and technological changes seen in the global contexts, it is important to question what type of flexibility is more easily adaptable to the systems of constant change. Some of the pillars which are essential for these foundations, namely, commitment, tolerance, involvement and willingness to take risk, will ensure these organizations are less complex and more transparent. The objectives of this paper include the identification of those values which embody flexibility of contemporary organizations. A theoretic framework will be followed by an analysis of the behavior of employees as well as a comparison of the personal and professional values so as to produce a systemic view for implementing flexibility in organizations.

Introduction

According to Drejer (2002), innovation management consists of core activities and properties that together define the following: **Technological integration:** This process refers to the integration between technologies and the product-markets and emphasizes the aspect of customer satisfaction with the innovations of any form. This means, that technology development needs to be integrated with the development of marketable and customized products. **The process of innovation:** This strategic level issue refers to the cross-functional business process of activities that create innovations across the departments. The entire department can be responsible for innovation and, thus, cross-functional are a necessary prerequisite for creating innovations. Resource allocation is another aspect which is necessary to let ideas and innovations grow. **Strategic technology planning:** This activity refers to the planning of technology and/or competence projects with the aim of maintaining a portfolio of technologies and competencies within the organization. **Organizational culture and change:** Innovation is closely associated

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with organizational change. Independently from the size of the organization, innovation will affect the organization.

Research Objective and Motivation

Creativity is simply the production of relevant novel ideas in any stage of human activity. Creativity is the first step to innovation, which is the successful implementation of these relevant novel ideas [Ama97].”In strategic management literature, there seems to be broad agreement that inimitable intangible resources such as a firm’s capability to promote innovation and creativity are key drivers of competitive advantage [CP05]. To be able to offer innovative products an organization needs creative employees who are motivated to unfold their creative potential and generate creative ideas which are the source of innovation and thus the source of an organization’s competitive advantage. Therefore, organizations must place a premium on employee creativity. In management control literature, the role and importance of management control has been widely discussed. Researchers agree on the imperative for control mechanisms in order to selectively control employee behavior. However, there are negative effects of control on employee performance which cannot be neglected. The interaction between control and employee motivation has been widely examined. There is empirical evidence of the negative effects of control on intrinsic motivation [FK06]. In the design of management control systems for creative employees, these “hidden cost of control” must be particularly considered, because employees’ intrinsic motivation is a prerequisite for creative performance [Ama88].

Literature Review

Organizational Culture and Innovation Management

Organizational and strategic change has to accompany the latest innovation. Innovation should be seen as a means for creating new and improved business for the company. That is innovation can both drive and be driven by business and strategy development as a critical element of innovation management. According to Tushman and O2 Reilly (1997), organizational culture lies at the heart of organization innovation. Organizational culture is defined in many different ways in the literature. We will use the definition of Martins (2003), defining organizational culture as “the deeply seated (often subconscious) values and beliefs shared by personnel in an organization.” By this, organizational culture is manifested in the typical characteristics of a company or any other organization. All implicit and explicit assumptions, rules, and norms which are forming these characteristics are maintained in the continuous process of human interaction (which manifests itself in attitudes and behavior). Furnham and Gunter (1993) summarize the functions of organizational culture as internal integration (for example, socializing of new members in the organization, creating the boundaries of the organization, the feeling of identity among personnel and commitment to the organization) and coordination (for example, developing new competence and strategies within the organization). Organizational culture that supports creativity and innovation can be associated in the following ways with certain environmental circumstances, strategic approaches, the values and actions of top management, organizational structure and technological cycles, which determine the dimensions of organizational culture (Martins 2003):

Innovation: Lessons from Experience

Literature on innovation has typically focused on business, technological, and human dimensions. For example, the business dimension includes the need to make funding decisions for new product ideas based on cost/benefit analysis, strategic fit, and feasibility and to understand the appropriate approach toward market research to suit given innovation objectives. The technological dimension includes the importance of attaining the appropriate technological expertise and the need for R&D spending “as a necessary [though]...not sufficient condition” for business results.

The human dimension includes the need for various inter- and intrapersonal skills and traits that facilitate the generation and implementation of new ideas. Several authors have observed, like Utterback, that “to sustain its success and renew its products, the firm must focus not on the products but on the people involved”. Soft skills are important for all types of innovation in all sectors. The rapid change in demand requires creative problem solving. Education and training- required for future innovations. Innovation requires experimentation, time and resources. Schools should promote a culture of sharing. Creativity requires space and time-flexibility. There are eight key competences for providing organizational flexibility. Communication in mother tongue, Communication in foreign language, Mathematical competence and basic competences in science and technology, Digital competence, learning to learn, Social and civic competencies, Sense of initiative and entrepreneurship and Cultural awareness and expression.

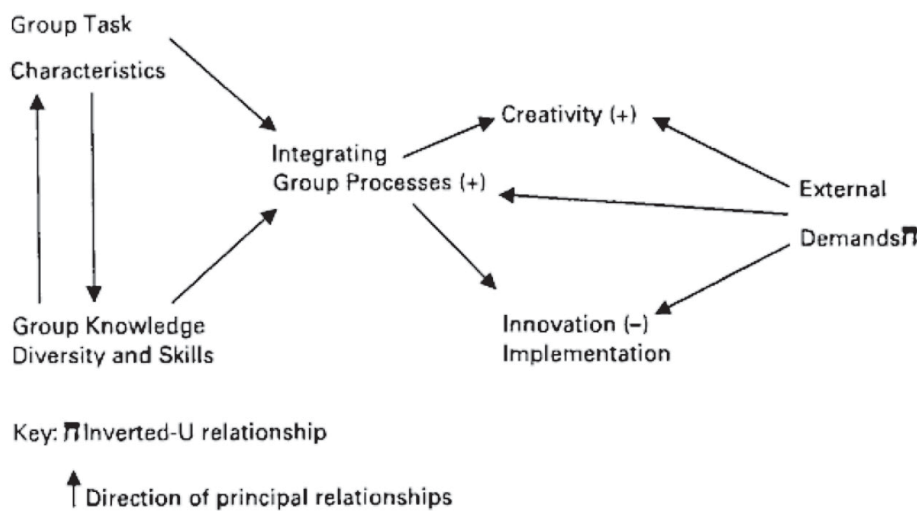


Figure 1: Model of Team Innovation

Theoretical Framework

Agency Theory

The assumptions concerning the functionality of organizations and employee behavior are built on New Institutional Economics and more specifically, on agency theory. Agency theory has its roots in information economics and addresses the problem of relationships between cooperating parties - the principal and the agent - which have partly differing goals and asymmetric levels of information. The principal (risk-neutral) delegates decision making authority to a (risk-averse) agent. It is difficult or expensive for the principal to verify what the agent is doing. The agent possesses private information (e.g. about his effort, the state of nature, etc.) that is not costlessly available to the principal. Principal and agent are both utility maximizers. This might lead to goal incongruence between the principal and the agent and therefore they might pursue different targets. The agent has an incentive for opportunistic behavior. A principal can limit the agency problem by incurring monitoring costs or by designing appropriate incentives for an agent to act on behalf of the principle’s interests. To eliminate agents’ most opportunistic actions, control or incentive devices can be used. In organizations, control is administered through management control systems. “Management Control Systems (MCS) help organizations to increase the probability that employees make decisions and take actions which are in the organizations’ best interest “

The Social Psychology of Creativity – A Componential Conceptualization

The assumptions concerning individual creativity are derived from the “social psychology of creativity”, a theory explaining the interactions of social and environmental factors with personality characteristics and cognitive abilities and the effects of these factors on observable creativity. Three major components are assumed to be essential for the production of creative work: domain-relevant skills, creativity-relevant skills and intrinsic task motivation. According to Amabile task motivation is the model’s most important component. “Task motivation makes the difference of what an individual can do and what he or she will do [Ama83]”. Intrinsic motivation for the task can make up deficiencies in domain-relevant Mag. Isabella Grabner Managing Organizational Creativity skills or creativity-relevant skills, but the lack of intrinsic task motivation cannot be compensated by any level of domain-relevant skills or creativity-relevant skills. Consequently, a high level of intrinsic motivation is essential for employee creativity.

The Work Environment for Organizational Creativity

Contextual theories of organizational creativity attempt to identify and analyses dimensions of work environments that are related to intrinsic motivation and creativity. One of the most prominent theories of organizational creativity – the componential model of creativity and innovation in organizations developed by Teresa Amabile - proposes three broad organizational factors that are assumed to influence organizational creativity: (1) organizational motivation to innovate, (2) resources, and (3) management practices. In a more detailed and specific articulation of this componential theory, the following categories of work environment factors hypothesized to influence creativity have been identified: (1) encouragement of creativity including organizational encouragement such as reward and recognition of creativity, supervisory encouragement and work group supports, (2) autonomy and freedom – granting employees high autonomy and a sense of ownership and control over their work, (3) resources, (4) pressures including challenging work and workload pressure and (5) organizational impediments such as rigid, formal management structures or conservatism. It is the psychological meaning of environmental events that largely influences creative behavior. Thus, the focus of analysis lies on employee perceptions of the work environment rather than organizational reality.

Cognitive Evaluation Theory (CET)

Cognitive evaluation theory predicts and interprets the effects of external events such as control mechanisms on intrinsic motivation for interesting tasks by providing an analysis of the relative salience of informational versus controlling aspects of these external events. Laterally, CET predicts that autonomy-supportive or informational events and contexts would maintain or enhance intrinsic motivation and that controlling events and contexts would undermine intrinsic motivation. The effects of external events on intrinsic motivation depend on the functional significance attributed to each external event by an individual. Cognitive evaluation theory states that if a person’s cognitive evaluation of different external events is varying, these different events would have varying effects on the person’s intrinsic task motivation.

Empirical Design

A literature study, which was descriptive in nature, was undertaken. The aim is to describe the phenomena as accurately as possible. Literature in the managerial sciences is used to describe organizational culture, creativity and innovation in organizations. The demands that creativity and innovation place on the culture of an organization are derived from the literature study.

Hypothesis 1a: On the flexibility/ control continuum of cultural types, organizations in creative industries reflect a more flexibility dominant type, while organizations in noncreative industries reflect a more control-dominant type.

Hypothesis 1b: Management of Creative Systems in creative industries are less formal and rigid than in non-creative industries.

Hypothesis 2a: In non-creative industries, behavior control is more widely used than in creative industries since work procedures for creativity-requiring tasks cannot be specified.

Hypothesis 2b: In creative industries, output control is less likely to be used than in noncreative industries, because objective evaluation (measurability) of creative performance is difficult.

Hypothesis 2c: In creative industries, social control mechanisms play a more crucial role and are more widely used than in non-creative industries, since behavior and output control cannot be easily applied.

Hypothesis 3: In creative industries a supportive and non-controlling leadership style dominates, while in non-creative industries employees are more monitored (controlling supervision) by their supervisors.

Hypothesis 4: Employees in creative industries have more autonomy in organizing their day-to-day conduct of their work, while in non-creative industries work procedures are more likely to be specified (via manuals, job description).

Hypothesis 5: In creative industries, internal communication is less formal and more open and the information flow is less restricted than in non-creative industries.

Determinants of Organizational Culture that Support Creativity and Innovation

Based on a literature study it was found that there is little agreement on the type of organizational culture needed to improve creativity and innovation. There also seems to be a paradox in the sense that organizational culture can stimulate or hinder creativity and innovation (Glor, 1997; Tushman and O'Reilly, 1997). Several researchers (Ahmed, 1998; Filipczak, 1997; Judge *et al.*, 1997; Nystrom, 1990; O'Reilly, 1989; Pinchot and Pinchot, 1996; Tesluk *et al.*, 1997) have worked on identifying values, norms and assumptions involved in promoting and implementing creativity and innovation. In order to synthesize the cultural values and norms that influence creativity and innovation, as found in the literature, the following integrated interactive model was created (Martins, 2000). The model (Figure 2) shows that the dimensions that describe organizational culture have an influence on the degree to which creativity and innovation take place in the organization. This influence can be divided into five determinants of organizational culture. Each of these determinants is discussed briefly to describe their influence in promoting or hindering creativity and innovation.

Strategy

An innovation strategy is a strategy that promotes the development and implementation of new products and services (Robbins, 1996). Covey (1993) claims that the origin of creativity and innovation lies in a shared vision and mission, which are focused on the future. Furthermore, the vision and mission of a creative and innovative organization are also customer- and market-oriented, focusing on solving customers' problems among other things (CIMA Study Text, 1996). An example of a vision that emphasizes creative and innovative behavior is: "Our Company will innovate endlessly to create new and valuable products and services and to improve our methods of producing them" (Lock and Kirkpatrick, 1995). It is also important that employees should understand the vision and mission (which support creativity and innovation) and the gap between the current situation and the vision and mission to be able to act creatively and innovatively. Judge *et al.* (1997) describe successful innovation as chaos within guidelines; in other words top management prescribes a set of strategic goals, but allows personnel great freedom within

the context of the goals. Organizational goals and objectives reflect the priorities and values of organizations and as a result may promote or hinder innovation (Arad *et al.*, 1997). Hall (cited in Arad *et al.*, 1997) found that personal and organizational goals that emphasize quality rather than effectiveness improve the levels of innovation.

Structure

Organizational culture has an influence on the organizational structure and operational systems in an organization (Armstrong, 1995). The structure seems to emphasize certain values which have an influence on the promotion or restriction of creativity and innovation in organizations. According to Arad *et al.* (1997) and the CIMA Study Text (1996) a flat structure, autonomy and work teams will promote innovation, whereas specialization, formalization, standardization and centralization will inhibit innovation. As regards the influence of organizational culture on a structure that supports creativity and innovation, values like flexibility, freedom and cooperative teamwork will promote creativity and innovation. On the other hand, values like rigidity, control, predictability, stability and order (mostly associated with hierarchical structures) will hinder creativity and innovation (Arad *et al.*, 1997). It is especially the values of flexibility as opposed to rigidity, and freedom as opposed to control that are emphasized in the literature. A high level of responsibility and adaptability also accompanies an organizational structure that allows for flexibility. Examples of flexibility in organizations are to make use of a job rotation programme or to do away with formal and rigid job descriptions. Freedom as a core value in stimulating creativity and innovation is manifested in autonomy, empowerment and decision making. This implies that personnel are free to achieve their goals in an automatic and creative way within guidelines (described as “chaos within guidelines” by Judge *et al.* (1997)). Personnel therefore have the freedom to do their work and determine procedures as they see fit within the guidelines provided. Management should also believe in personnel and encourage them to be more creative by allowing them more freedom, in other words empowering them instead of controlling them (Judge *et al.*, 1997, p. 76). The literature study revealed that the degree to which employees have freedom and authority to participate in decision making in solving problems determines the level of empowerment, which is positively related to the level of creativity and innovation in an organization (Arad *et al.*, 1997, p. 4). The speed of decision making can also promote or inhibit creativity and innovation. Tushman and O’Reilly (1997, p. 117) claim that cultural norms which lead to quick decision making (e.g. that speed is important and that the work rate is fast) should promote the implementation of innovation.

Support Mechanisms

Support mechanisms should be present in the culture of an organization to create an environment that will promote creativity and innovation. The literature study revealed that rewards and recognition and the availability of resources, namely time, information technology and creative people, are mechanisms that play this role. Behavior that is rewarded reflects the values of an organization. If creative behavior is rewarded, it will become the general, dominant way of behaving (Arad *et al.*, 1997). Personnel should also be rewarded for risk taking, experimenting and generating ideas. Intrinsic rewards like increased autonomy and improved opportunities for personal and professional growth may support the innovation process (Shattow, 1996; Amabile and Gyskiewicz (1987) and Kanter (1983) cited in Arad *et al.*, 1997). It is also important to reward individuals as well as teams (Tushman and O’Reilly, 1997). Management should be sensitive to which methods of reward and recognition will inspire personnel in their specific organization to be more creative and innovative (Tushman and O’Reilly, 1997). An organizational culture that promotes creativity and innovation should allow employees time to think creatively and experiment (Shattow, 1996). In organizations where creativity and innovation are encouraged,

personnel are, for example, allowed to spend 15 percent of their time on generating new ideas and working on their favorite projects. Emphasis on productivity and downsizing, which leads to more pressure on employees to work harder, is not conducive to creativity and innovation in organization (Filipczak, 1997). Information technology as a support mechanism is an important resource for successful innovation (Shattow, 1996). In organizations where it is part of the culture to use computer technology such as the Internet and intranet to communicate and exchange ideas, the chances of creativity and innovation taking place are improved (Bresnahan, 1997; Khalil, 1996). Recruitment, selection and appointment and maintaining employees are an important part of promoting the culture of and specifically creativity and innovation in an organization. The values and beliefs of management are reflected in the type of people that are appointed. Apart from personality traits like intelligence, knowledge, risk taking, inquisitiveness and energy, a value like diversity is of utmost importance in the appointment of creative and innovative people. Appointing people of diverse backgrounds should lead to richer ideas and processes that should stimulate creativity and innovation (Bresnahan, 1997; Gardenswartz and Rowe, 1998).

Behavior that Encourages Innovation

Values and norms that encourage innovation manifest themselves in specific behavioral forms that promote or inhibit creativity and innovation. The way in which mistakes are handled in organizations will determine whether personnel feel free to act creatively and innovatively. Mistakes can be ignored, covered up, used to punish someone or perceived as a learning opportunity (Brodtrick, 1997). Tolerance of mistakes is an essential element in the development of an organizational culture that promotes creativity and innovation. Successful organizations reward success and acknowledge or celebrate failures, for example, by creating opportunities to openly discuss and learn from mistakes (Ryan, 1996; Tushman and O'Reilly, 1997). An organizational culture in which personnel are encouraged to generate new ideas, without being harmed, and where the focus is on what is supported instead of on what is not viable, should encourage creativity and innovation (Filipczak, 1997). Fair evaluation of ideas will also support and encourage creativity (Amabile, 1995). Several authors (Arad *et al.*, 1997; Lock and Kirkpatrick, 1995; Samaha, 1996) indicate that an organizational culture that supports a continuous learning orientation should encourage creativity and innovation. By focusing on being inquisitive, encouraging personnel to talk to one another (e.g. to clients within and outside the organization to learn from them), keeping knowledge and skills up to date and learning creative thinking skills, a learning culture can be created and maintained. Support for change is a value that will influence creativity and innovation positively (Arad *et al.*, 1997; Eyton, 1996; Glor, 1997; Johnson, 1996; Tushman and O'Reilly, 1997). Managers can create a culture that supports change by looking for new and improved ways of working; creating a vision that emphasizes change and revealing a positive attitude towards change (Arad *et al.*, 1997; Tushman and O'Reilly, 1997). An example of a culture in which change is supported is to expect personnel, when stating their annual objectives for the year, to indicate how they intend changing their work methods. Tolerance of conflict and handling conflict constructively are values that support creative and innovative behavior in organizations (Mumford *et al.*, 1997; Robbins, 1997; Judge *et al.*, 1997). When there is conflict between different ideas, perceptions and ways in which information is processed and evaluated, the process of handling conflict should be handled constructively to promote creativity and innovation. Understanding different individual thinking styles and training personnel in the process of constructive confrontation will create a culture supportive of creativity and innovation.

Communication

An organizational culture that supports open and transparent communication, based on trust,

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will have a positive influence on promoting creativity and innovation (Barret, 1997; Robbins, 1996). Teaching personnel that disagreement is acceptable, since it offers the opportunity to expose paradoxes, conflict and dilemmas, can promote openness in communication. At the same time personnel must feel emotionally safe to be able to act creatively and innovatively and should therefore be able to trust one another, which in turn is promoted by open communication. An open-door communication policy, including open communication between individuals, teams and departments to gain new perspectives, is therefore necessary to create a culture supportive of creativity and innovation (Filipczak, 1997; Frohman and Pascarella, 1990; Samaha, 1996).

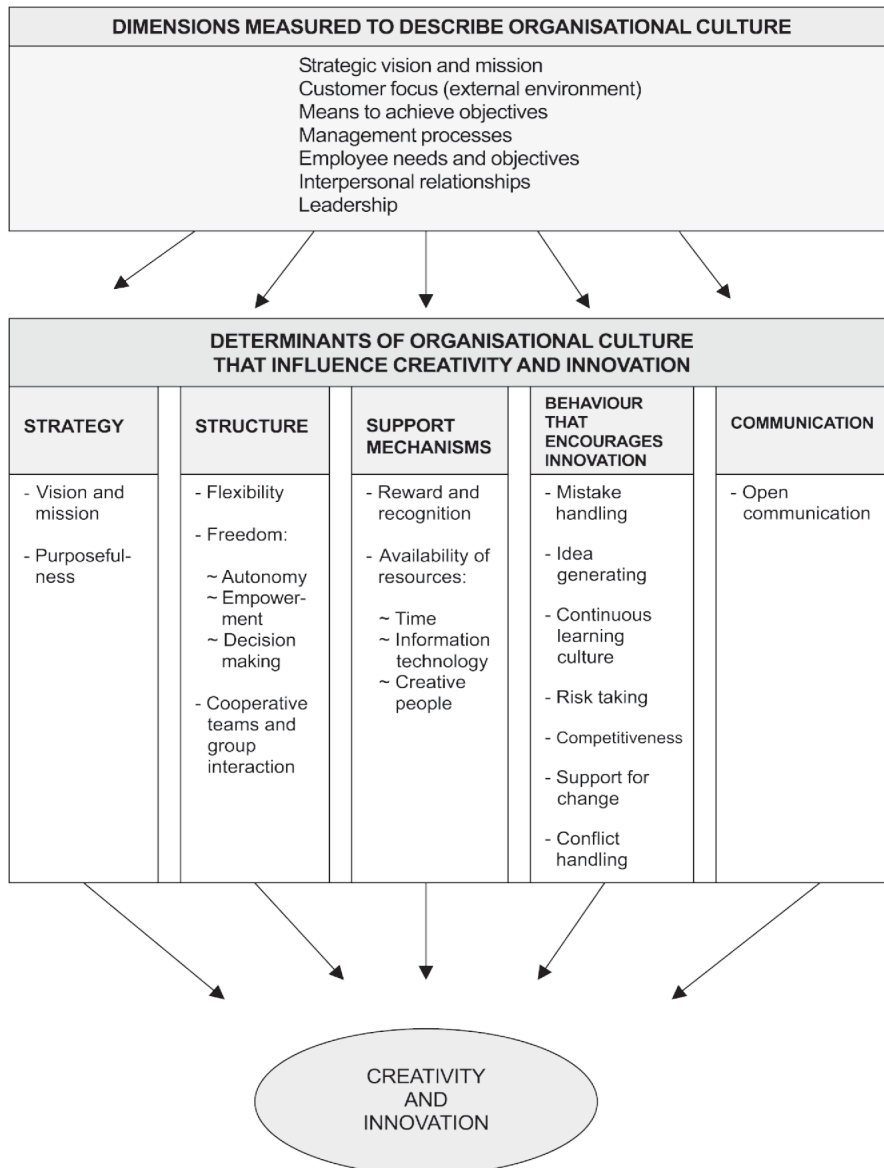


Figure 2: Influence of Organizational Culture on Creativity and Innovation

Analysis and Synthesis

Given the complexity of organizational challenges and the variety of organizational options and overlay techniques, some might say that organizational theory will need to continue to rely heavily on examination of real-world experiences in order to make progress. This leads to the suggestion that experimentation will be important for many organizations as they adapt to new challenges over time. Assigning dual roles for individuals within organizations is one way to deal with knowledge intensity and multiple demands. This technique is not dissimilar to that in management consulting, where a matrix organizational approach with dual roles for many individuals has been used in successful firms such as Arthur Andersen. Also, the concept of dual roles is intuitively useful in considering how to balance order with disorder in complex adaptive organizations. The organizational framework for optimizing flexibility will, then, be experimental, utilizing dual roles for many people, and allowing room for innovation, and at the same time, stability.

Conclusion

The factors which we have taken for creating organization flexibility which motivates for creative actions are found to be co related. This is also relevant for creative employees. The principles of cognitive evaluation theory and the componential theory of individual and organizational creativity is taken into account in the analysis of the effects of different control mechanisms on intrinsic motivation and consequently, on creativity. In attempting to create a culture supportive of creativity and innovation, it has been found that one of the best approaches to describe organizational culture is based on the open systems approach. This conclusion is based on the fact that it offers a holistic approach that allows the investigation of the interdependence, interaction and interrelationship of the different sub-systems and elements of organizational culture in an organization. It appears that creativity and innovation will flourish only under the right circumstances in an organization. The values, norms and beliefs that play a role in creativity and innovation in organizations can either support or inhibit creativity and innovation, depending on how they influence the behavior of individuals and groups. The model designed in this research highlights the determinants that play a role in promoting creativity and innovation. The way in which these determinants, namely strategy, organizational structure, support mechanisms, behavior that encourages innovation and communication, operate will either support or inhibit creativity and innovation.

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