Innovation Strategy in Building an Organisational Culture that Supports Business Change: A Review from a Corporate Strategy Perspective

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Abstract

The era of globalization, technological advancement, and rapid market dynamics has created a highly volatile business environment. Companies are pressured to adapt to these changes or risk becoming obsolete and irrelevant. Innovation has become the key to addressing the challenges of business change. This research aims to investigate the relationship between innovation strategy, organizational culture, and corporate strategy in the context of business change, with the goal of providing better insights into how companies can build a culture that supports innovation as an integral part of their strategy. The research method employed in this study is a literature review using a qualitative approach and descriptive analysis. Descriptive analysis will be used to present and interpret findings from articles obtained from Google Scholar between 2011 and 2023. The study results indicate that in facing rapidly changing business dynamics, innovation is crucial to maintaining organizational relevance and competitiveness in a competitive market. Innovation strategy must be integrated into the organizational culture to create an environment where new ideas can flourish and be effectively implemented. Design-based approaches, supportive leadership, flexible organizational structures, and appropriate incentives are essential elements in building a strong culture of innovation.

Keywords: *Business, Corporate, Innovation, Organizational Culture*

1. INTRODUCTION

In the context of globalization marked by technological advancements and rapid market dynamics, constant change has become a hallmark of the current business environment. Companies face significant pressure not only to acknowledge but also to proactively adapt to these changes. The ability to adjust to shifting trends and market needs is key to sustaining relevance and competitiveness (Pascucci et al., 2023). For those failing to keep pace, the risk of becoming obsolete and irrelevant looms larger, threatening their existence and sustainability in this ever-evolving market.

Innovation has emerged as a central element in responding to the transformative challenges of the modern business landscape. Successful organizations are often recognized for their innovative cultures, which not only value creativity but also encourage bold experimentation and the development of relevant new solutions (Anderson et al., 2014). In a constantly changing landscape, the ability to innovate continuously is crucial for maintaining competitive advantage, enabling businesses to seize new opportunities and overcome emerging obstacles.

The role of organizational culture in shaping employee actions and company policies has been widely acknowledged in management literature. Cultures that promote innovation have a significant impact on shaping organizational identity and performance (Joseph & Kibera, 2019). They not only depict recognized and valued ways of working but also create environments that stimulate creative thinking and drive the development of new solutions. As a result, companies with innovative cultures can anticipate and respond to business changes more swiftly and effectively, providing them with sustainable competitive advantages in rapidly changing markets.

Although the significance of innovative culture is widely recognized, many companies face significant challenges in effectively implementing it. These constraints include various factors, from resistance to change often stemming from employees' reluctance to abandon established practices, to uncertainties associated with untested innovation outcomes. Moreover, companies often encounter limitations in resources, both financial and human, needed to facilitate sustainable innovation processes (Bocken & Geradts, 2020). Therefore, while innovative culture promises great potential for growth and

competitive advantage, efforts to implement it effectively often require careful strategies and strong support throughout the organization.

In this context, a corporate strategy perspective presents a vital framework for effectively managing business entities. This approach involves a series of careful decision-making processes at the top management level aimed at setting clear objectives, allocating resources wisely, and managing business portfolios comprehensively. Corporate strategy is not only about formulating long-term plans but also about building a robust vision for the company's future and setting the right direction for long-term success. In facing the complexity and uncertainty within a rapidly changing business environment, the corporate strategy perspective offers critical guidance for management in ensuring that all steps taken align with the established mission and vision (Sinnaiah et al., 2023).

It is important to delve into the evolving complex dynamics between innovation strategy, organizational culture, and corporate strategy comprehensively. This process involves more than just ensuring alignment between innovation goals and long-term company objectives; it also requires a deep integration of innovative culture into the organization's identity and underlying values. Effective innovation strategy should be directed towards supporting corporate vision and mission, strengthening the company's market position, and stimulating long-term growth. However, this cannot be achieved without active participation from an organizational culture that promotes creativity, collaboration, and bold experimentation (Graham et al., 2022). In this context, it is crucial for company leaders to develop corporate strategies that holistically consider the complex interaction between innovation strategy and organizational culture, ultimately forming a solid foundation for long-term success.

Therefore, this research aims to investigate the relationship between innovation strategy, organizational culture, and corporate strategy in the context of business change, with the goal of providing better insights into how companies can cultivate a culture that supports innovation as an integral part of their strategy.

2. RESEARCH METHOD

The research method employed in this study is a literature review using a qualitative approach and descriptive analysis. The qualitative approach is used to gain an in-depth understanding of the phenomenon under study, in this case, innovation strategies in building an organizational culture that supports business change from the perspective of corporate strategy. Descriptive analysis will be used to present and interpret findings from articles obtained from Google Scholar between 2011 and 2023. Initially, 50 articles were obtained, which were then rigorously selected, resulting in 25 relevant and high-quality articles for use in this study. Descriptive analysis will involve the process of collecting, presenting, and interpreting data obtained from these articles, focusing on identifying patterns, themes, and trends emerging from the reviewed literature. This method will provide a comprehensive understanding of the research topic, enable the formulation of a robust conceptual framework, and offer valuable insights for further development in this field.

3. RESULTS AND DISCUSSION

Innovation is the process or activity involving the creation or introduction of something new or significant changes to existing ones, with the aim of increasing value or creating greater benefits (Diawati et al., 2023). It encompasses not only the development of new products or services but also improvements in processes, business models, or the adoption of new technologies to achieve better outcomes or provide more effective solutions. Innovation drives change and advancement across various fields, enabling organizations to compete more effectively in constantly evolving markets (Saputra et al., 2023). It involves creativity, experimentation, and risk-taking, requiring a supportive culture within the organization that values new ideas, flexibility, and continuous learning. Thus, innovation is not just about discovering something new but also about how organizations integrate these new ideas into their practices and processes to achieve better results (Ausat, Velmurugan, et al., 2023).

Organizational culture refers to a set of values, norms, beliefs, attitudes, and behaviors that are an integral part of an organization's identity (Tsai, 2011). It encompasses how members of the organization interact, collaborate, and understand the goals and values upheld by the organization. Organizational

culture reflects the 'way we do things here' and often serves as the foundation for decision-making, problem-solving, and adaptation to internal and external environmental changes (Ausat, Al Bana, et al., 2023). A strong and positive culture can be a significant force in inspiring employees, improving performance, and strengthening the organization's brand identity (Radu, 2023). It can also create an inclusive, collaborative, and innovative work environment. However, organizational culture can also pose challenges if it is not aligned with the organization's strategic goals or if there is a mismatch between the desired culture and the actual culture. Therefore, understanding and building an organizational culture that aligns with the organization's vision, mission, and goals is key to long-term success and sustainability.

Business involves economic activities encompassing the production, distribution, and exchange of goods or services to meet human needs and desires with the aim of making a profit (Zen, Rahayu, et al., 2023). It involves various aspects, from strategic planning and operational management to marketing, sales, and customer service. Businesses can be operated by individuals, groups, or companies of various scales, ranging from small enterprises to multinational corporations (Jusman et al., 2023). In addition to encompassing commercial entities engaged in trading goods and services, the concept of business can also refer to non-profit organizations, such as government agencies and charities, which operate to achieve social or community goals (Sahtoni et al., 2023). Business serves as the engine of the global economy, creating jobs, enhancing social welfare, and facilitating economic growth. With technological advancements and globalization, businesses continue to evolve and adapt, facing new challenges and leveraging new opportunities for innovation and growth (Muhamad et al., 2023). Therefore, a comprehensive understanding of the economic, social, and environmental aspects in the context of business is crucial for the success and sustainability of organizations in this modern era.

Corporate pertains to everything related to corporations or legal entities established with the purpose of conducting business activities (Afrizal, 2022). This term is often used to refer to legal entities separate from their owners, which have independent existence and are responsible for their own liabilities and actions. Corporations are typically formed with the aim of creating structures that allow for more efficient management and ownership of assets, as well as to reduce risks for individual owners or shareholders (Wirba, 2023). Corporations can take the form of public companies, whose shares are traded on open stock markets, or privately owned companies. They can operate in various economic sectors and come in various scales, from small companies to large and complex multinational corporations. The concept of corporate also encompasses various organizational structures, policies, procedures, and management practices used to manage the company and achieve its strategic goals (Pontes & Dusek, 2023). In a broader scope, corporate also includes corporate social responsibility, underscoring the importance of companies in considering their impact on society, the environment, and other stakeholders in their decision-making and operations.

In an increasingly dynamic era of business transformations, innovation plays a fundamental role in maintaining competitiveness and relevance in a highly competitive market. However, to cultivate a strong culture of innovation, organizations must adopt strategies that align with their strategic vision and goals. In this context, it is important to understand and analyze innovation strategies in efforts to foster organizational cultures that support business change, especially from a corporate strategy perspective.

First and foremost, it is essential to understand that the concept of innovation is not limited to the creation of new products or services alone. Beyond that, innovation involves widespread changes, including transformations in operational processes, adopted business models, and even leading to comprehensive organizational culture restructuring. This is why the importance of innovation strategy lies in its ability to design an environment capable of fostering the emergence of new ideas, rigorously testing their potential, and implementing them at the required pace to meet the ever-changing market demands.

One method that can be adopted is the design-based approach, also known as design thinking. By deeply understanding the needs and desires of customers and focusing on solving relevant problems, organizations can produce products and services that truly meet market demands (Dwivedi et al., 2021). This approach not only encourages innovation in products but also nurtures a culture where every

member of the organization is encouraged to stimulate creative thinking and seek breakthrough solutions. Thus, design thinking is not only an effective framework for product innovation but also the foundation for creating a work atmosphere that fosters creativity and constructive experimentation in addressing business challenges.

In efforts to integrate innovation strategies into the fabric of organizational culture, several key factors need to be considered, such as the role of leadership, the formed organizational structure, and the applied incentive systems. Leadership acting as drivers and supporters of innovation not only set standards for organizational members but also strengthen the presence and growth of innovative culture throughout the company's structure (Sutrisno et al., 2023; Zen, Siminto, et al., 2023). Additionally, an adaptable and responsive organizational structure facilitates the smooth adoption of new ideas with the required efficiency. In line with this, carefully designed incentive systems and recognition of achievements involving innovation will provide strong encouragement for employees to continue developing their creative thinking abilities and seek new solutions that can significantly enhance business performance.

From a corporate strategy perspective, aligning innovation strategy with long-term goals and organizational vision is a crucial foundation. This holistic integrity emphasizes that innovation is not perceived merely as an isolated goal but as an inseparable part of a series of efforts aimed at achieving long-term growth and sustainability. Thus, innovation strategy must align with the strategic orientation set by the organization and serve as a driver supporting the achievement of each outlined objective (Dogan, 2017). This implies that innovation is not just an addition but an ingrained element in the organizational culture that drives change, improvement, and adaptation to the ever-changing business environment. Therefore, a strong integration between innovation strategy and organizational mission is a prerequisite for long-term success and sustainable growth.

In this context, it is important to understand that innovation strategy in shaping an organizational culture that facilitates business transformation plays a crucial role in determining the long-term success of a company. By adopting a holistic and integrated approach, organizations have the opportunity to create an atmosphere where innovation is not just an additional initiative but becomes an embedded element in the company's structure and core values. By making innovation part of the company's DNA, organizations can turn it into a primary force driving sustainable growth and differentiation in a competitive market (Ausat et al., 2022; Farida & Setiawan, 2022). Thus, innovation strategy not only becomes an additional strategy but serves as the foundation for sustainable corporate transformation, enabling rapid adaptation to market changes and creating sustainable competitive advantages.

In continuing the innovation strategy to build an organizational culture that supports business change, it is important to consider several additional steps that can strengthen and deepen the implementation of such strategy:

a. Develop an Innovation Management System: Organisations need to have a structured system to effectively manage innovation. This includes processes for idea generation, evaluation, development, and implementation. By having a clear and organised system, organisations can ensure that innovative ideas are not overlooked and are executed efficiently.

b. Encourage Collaboration Between Teams and Departments: Innovation often happens when people with different backgrounds and perspectives work together to solve complex problems. Therefore, it is important to encourage collaboration across functions and departments within the organisation. This can be done through the formation of cross-functional teams or even through platforms and workspaces designed to facilitate idea exchange and co-operation.

c. Paying Attention to the Decision-Making Process: The decision-making process within the organisation should support innovation. Too often, bureaucracy and rigid hierarchies can hinder an organisation's ability to react quickly to emerging opportunities or challenges. Therefore, organisations need to consider adopting a more flexible and decentralised approach to decision-making, which allows for quick responses and adjustments based on market feedback and innovations that occur.

d. Invest in Creative and Innovative Skills Development: A strong culture of innovation depends not only on the presence of innovative ideas, but also on the ability of employees to formulate, test and

implement those ideas. Therefore, organisations need to invest in the development of creative and innovative skills through employee training and development. This can include design thinking training, innovative project management training, or even incubation programmes to foster innovative talent within the organisation.

e. Evaluation and Measurement of Innovation Performance: To ensure that the innovation strategy is working effectively, organisations need to have appropriate metrics and KPIs (Key Performance Indicators) to measure the success of innovation. This can include metrics such as the number of new ideas generated, the time taken to develop and launch a new product into the market, or the financial impact of a particular innovative initiative. By having clear metrics in place, organisations can continuously monitor and evaluate the effectiveness of their innovation strategy, as well as make the necessary adjustments when required.

Implementing these measures comprehensively, organisations can build a strong innovation culture that supports business change and enables them to remain relevant and competitive in an ever-changing business environment.

4. CONCLUSIONS

In facing rapidly changing business dynamics, innovation becomes the key to maintaining the relevance and competitiveness of organizations in a competitive market. Innovation strategies need to be integrated into the organizational culture to create an environment where new ideas can thrive and be effectively implemented. Design-based approaches, supportive leadership, flexible organizational structures, and appropriate incentives are crucial elements in building a strong culture of innovation. Recommendations that can be provided based on the research findings include: 1) Developing an Innovation Management System: Organizations need to have a structured system for effectively managing innovation, from idea generation to implementation. 2) Encouraging Collaboration Across Teams and Departments: Cross-functional and cross-departmental collaboration should be encouraged to facilitate the exchange of ideas and productive cooperation. 3) Paying Attention to Decision-Making Processes: Decision-making processes need to be scrutinized to ensure a swift response to emerging opportunities or challenges. 4) Investing in the Development of Creative and Innovative Skills: Organizations need to invest in the development of employees' creative and innovative skills through training and development programs. 5) Evaluating and Measuring Innovation Performance: Appropriate metrics and KPIs should be used to measure the success of innovation and continuously monitor the effectiveness of innovation strategies. By comprehensively implementing these steps, organizations can build a strong culture of innovation that supports business change and ensures long-term sustainability and competitiveness.

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