

Role of Organisational Culture in Open Innovation: An Empirical Study of Service Sector Organisations in Sri Lanka

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Abstract

Innovation underpins the process of bringing novel products and services to market and is critical to a firm's viability, competitive advantage and performance. Open innovation has been proposed as a new paradigm for the management of innovation. Success in this open innovation paradigm offers great benefits to business organisations. Many firms have succeeded in the open innovation paradigm but failures have also been reported. Being a new area of research, not much is known about the factors affecting open innovation. In view of this, the current research was conducted with the aim to study the effects of organisational culture on open innovation. The main purpose of the study was to identify organisational culture types which enable and retard both in-bound open innovation and out-bound open innovation. Cross-sectional data were collected using the survey method from 124 middle and top managers working in finance and information technology sectors in Sri Lanka. The data analysis has been done using the statistical software packages of SPSS and AMOS. Both cluster analysis method and hierarchical multiple regressions were employed to test the hypothesised relationships. Highly integrative culture was found to relate positively to in-bound open innovation. No evidence of a significant relationship between highly integrative organisational culture and out-bound open innovation was found. Hierarchy culture related negatively to both in-bound open innovation and out-bound open innovation. This research paper is probably the first empirical study which investigates the

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role of organisational culture in open innovation in the Sri Lankan context. Practical implications for the managers are given and suggestions are offered for future research building on the findings of this study.

Keywords

In-bound Open Innovation, Innovation, Open Innovation, Organisational Culture, Out-Bound Open Innovation,

Introduction

Organisational efforts towards innovation are simultaneously driven by the need, and the opportunity, to improve products, services and processes. OECD (2013) defined innovation as “the process of making changes large and small, radical and incremental, to products, processes and services that results in the introduction of something new for the organisation that adds value to customers and contributes to the knowledge store of the organisation.” Since the possibilities of established “something new” that can be improved are effectively infinite, innovation plays a continuous role in every aspect of organisational experience.

Traditionally, innovation has been considered as being solely in the realm of firms’ internal activities, such as research and development. Yet, knowledge and innovative ideas are widespread and abundantly available in firms’ external environment (Chesbrough, 2003). In this regard, Henry Chesbrough (2003) created the term “open innovation” to acknowledge that in order to increase innovation performance, firms’ need to make use of external knowledge more systematically or “purposively” (Chesbrough, 2003). He defined it in 2006 as ‘the use of purposive inflows and outflows of knowledge to accelerate internal innovation, and to expand the markets for external use of innovation, respectively. It thus comprises both outside-in and inside-out movements of technologies and ideas, also referred to as ‘technology acquisition’ and ‘technology exploitation’ (Lichtenthaler, 2008). It suggests that organisations make use of knowledge available in the external environment of their firm and combine knowledge developed inside the firm with knowledge generated through external search efforts (Lichtenthaler & Lichtenthaler, 2009). Open innovation has been proposed as a new paradigm for the management of innovation (Chesbrough, 2003; Gassmann, 2006).