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Corporate Culture and Innnovation

There has been an increasing trend among many companies in the IT industry to feature a highly relaxed and informal work culture. Many of these companies are also the more successful ones in their respective markets. This poses the question: are the informal corporate cultures that exist in the high-tech industry a key to innovation, or are they simply luxuries these already profitable companies can enjoy? The relationship between the levels of formality within a corporate culture and corporate innovation was studied. The study looked at the high tech companies Apple, Google, RIM, NVIDIA, IBM, and Microsoft.

Corporate culture is defined as the shared beliefs and assumptions within an organization, which makes it challenging to conduct an objective study based on research. For this reason, the study was conducted based on the personal experiences of the authors, most of whom have worked in these companies. The cultures were evaluated for their formality or informality in the six companies using the following traits: 1) organizational structure: the nature of communication between management and their dependents, how rules and regulations are enforced, and the way reporting chains are structured; 2) social environment: the way employees interact with their colleagues, the nature of the corporation's social rituals and events, and how issues relating to secrecy are handled; 3) physical environment: symbols and building layout, and 4) risk management: reward methodology, employee flexibility and freedom in terms of projects and workflow, and how issues relating to accountability are dealt with in case of failure. Corporate innovation in each of these companies was then studied and rated as high, medium or low by examining if and how the company implements incremental, breakthrough, business model, and new venture innovation.

The conclusion from the case studies was that all high tech companies were informal in terms of communication among colleagues. The rest of the culture's formalness and innovativeness can be summarized as follows:

- Apple: informal organizational structure; social events; semi-informal risk management; formal secrecy and physical environment; highly innovative
- Google: informal in every aspect; highly innovative
- RIM: informal organizational structure and project flexibility; semi informal social events, secrecy, rewards, and accountability; formal physical environment; medium innovativeness
- NVIDIA: informal physical environment, communication structure, and rules; semi-informal secrecy; formal risk management, project management, and operational structure; medium innovativeness
- IBM: informal accountability and social events; semi-informal organizational structure; formal secrecy, rewards, project flexibility and physical environment; medium to high innovativeness
- Microsoft: informal accountability, social events, communication structure, and building layout; semi-informal rules; formal project management, operational structure, secrecy, rewards, project flexibility, and physical symbols; low innovativeness

Although all the selected companies were from the high-tech industry, their primary drivers and styles of innovation were significantly different. NVIDIA, which makes chips for other hardware manufacturers, was one company that has limited contact with customers (public). A majority of their revenue comes from their business-to-business model. This requires a style of innovation that is purely focused on performance and cost for another business, as opposed to innovations produced by Apple, Google, and RIM, all of which, besides aiming for cost effectiveness and performance, also seek to evoke an emotional connection between their customers and their products. As a result of this, the analysis needs to be further broken down and companies with the same drivers, or similar structures were compared as simply being in the high-tech industry was not specific enough.

A few conclusions drawn from the study were as follows: IBM and Microsoft exist in a different domain since both are large companies and are driven by enterprises. Their cultures converge, but IBM's larger product and services portfolio makes it more successful than Microsoft. For large companies, the risk of employees feeling disconnected from their customers is very high if the work of the employees isn't personally satisfying. It is easy for employees to lose focus, drive, and pace of innovation when they feel that their daily work does little to help advance the company. This makes it imperative that large companies maintain a larger product and services portfolio to help fuel the passion that is often found in smaller companies.

Apple, Google, RIM and Microsoft have a common primary driver, which is the average consumer. As a result of comparing their risk management styles and organizational structures, a direct relationship was found between informal culture and high innovativeness. While social and physical environments were found to be secondary traits, it is suggested that new ventures incorporate the primary traits to initially build a culture where people can pitch-in new ideas and feel that their ideas are heard and evaluated in an informal way. In order to achieve this, a formal effective failure management policy, which regards failure as a necessary learning experience, must be in place. It is also important to give the employees substantial flexibility in their work and project selection, which again, is informal implementation. The secondary attributes can then be specifically tailored to each company depending on the market niche, demographics and style of innovation. If implemented correctly, these attributes lead to sustaining the innovative culture that comes in effect in from the implementation of the previously mentioned primary traits.

As an ending note, it is crucial to mention that our conclusions apply only to the high-tech industry. The results may differ for other industries that are more traditional in nature, such as the automotive and aerospace industries. These sectors have different product lines and requirements, also different customer demographics, that would require their own investigation.