

The Innovative Corporate Culture in the Company

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1. Introduction

Innovation culture represents a key subsystem of corporate culture that fundamentally influences an organisation's competitiveness and long-term sustainability in today's dynamic business environment. It is a set of values, beliefs and behaviours that support and stimulate innovative thinking and creativity within an organisation. Its importance lies in its ability to create an environment where innovation becomes a natural part of everyday processes, not just an isolated activity of research and development departments. It represents a bridge between the organisation's traditional values and the need to adapt to changing market demands constantly. Next, we will look at this issue in more detail.

2. Theoretical background

The dynamic business environment necessitates continuous adaptation, making innovation critical for long-term sustainability. Chapter 2 establishes the theoretical foundation by defining corporate culture and innovation as interconnected entities. This section explores their synergy, the defining characteristics of an innovative culture, its benefits, and the critical barriers (e.g., risk aversion and long development times) that impede successful implementation. This framework is essential for strategic management. The following sections elaborate on this synergistic relationship. Section 2.1 discusses the definitions and

interrelationship of culture and innovation, while Section 2.2 analyses the specific barriers that hinder the development of an innovative environment, as well as the extensive benefits resulting from its successful implementation.

2.1 Innovation and Corporate Culture

Managing corporate culture is key to business success. The culture is described as a set of anodyne norms, principles, or values, which do not offer decision-makers guidance on how to make difficult choices when faced with conflicting but equally defensible courses of action (Meyer, 2024). It is regarded as a more or a less cohesive system of meanings and symbols in terms of which social interaction takes place (Alvesson, 2002). On the other hand, innovation is the outcome of a process that is both creative and destructive and successful innovation can change an entire industry (Jolly, 2003). It is the transformation of knowledge into new products, processes and services. It involves more than just science and technology - it involves discerning and meeting the needs of the customers (Terziovski, 2007). As we can see corporate culture is the set of values, norms, beliefs and behaviours that characterise an organisation. It is also an important element of any organisation, as it defines the company not only internally but also externally and shapes the everyday environment of the employees. On the other

hand, innovation is the driving force of any enterprise, as it enables the enterprise to outperform its competitors. What is important, however, is that the company can link these two areas together and make the best of them.

Innovation culture can be defined as a multidimensional context that includes the intention to be innovative, the infrastructure to sustain innovation, the operational level behaviours needed to influence market and value orientation, and the environment to pursue innovation (Shayah, Zehou, 2019). These cultures are generally portrayed as quite fun. They are characterised by a tolerance for failure and a willingness to experiment. They are perceived as psychologically safe, highly collaborative and non-hierarchical. And research suggests that this behaviour translates into better innovation performance. But even though innovation cultures are desirable and most executives claim to understand what they involve, they are difficult to create and sustain (Pisano, 2019). According to McKinsey research, 85 of %executives admit that fear (of failure, criticism and career impact) hinders innovation efforts in their organisations. However, true innovators see failure as an inevitable part of the learning process. And they are in good company. Apple's remarkable run of successful products was made possible because Steve Jobs embraced failure as a learning mechanism. Amazon's failures (such as the Fire Phone) paved the way for successful businesses (such as Amazon Web Services). Sir James Dyson went through more than 5,000 prototypes before perfecting his bagless vacuum cleaner. Innovation and failure are intertwined (Odirov, 2024). An innovative approach to the successful business of a modern organization is considered a necessity as well as a key element of entrepreneurship in the global market conditions. Innovativeness is one of the most important factors for the survival, growth and development of businesses and economies (Janjić, Rađenović, 2019). The great importance of innovation in the workplace is that it gives companies an advantage in penetrating markets faster and provides better links to emerging markets, which can lead to

greater opportunities, especially in rich countries. Innovation can also help to develop original concepts while providing the innovator with a proactive and confident approach that allows them to take risks and achieve success (Henderson, 2017). At the same time, unforeseen challenges are inevitable in business, and innovation will help you stay ahead of the curve while growing your company (Boyles, n.d.). As stated by the e-learning platform of the InnoMe project, the types of innovation can be divided according to: Object, Novelty of results, Source, Direction of management, and Strategies (Innome, n.d.). There are also 4 basic types of innovation that we can encounter - product innovation; process innovation; organisational innovation and marketing innovation (Spišáková, 2008). In addition, design is increasingly coming to the fore in the context of innovation, playing a key role in the development and implementation of innovations, as well as a special type of innovation, eco-innovation. It divides innovations according to the degree of innovativeness or novelty of the idea into incremental, disruptive, radical and sustainable innovations, which take into account their impact on markets and the technological changes associated with them (SBA, 2020).

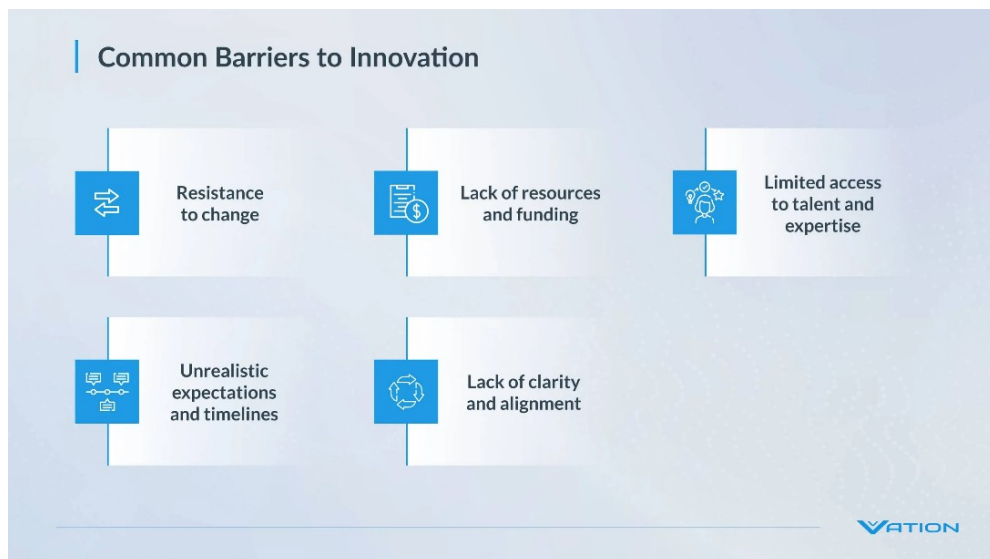
Current scientific discourse emphasizes that a truly innovative culture must transcend the traditional notion of 'tolerance for failure.' According to Edmondson (2018, 2024), psychological safety is not merely about interpersonal comfort; it is a critical mediator that enables 'intelligent failure'-the byproduct of high-stakes experimentation. For an organization to remain competitive in 2025, HR systems must transition from rewarding safe outcomes to incentivizing the 'learning velocity.' This involves creating a dual environment where psychological safety is balanced with high performance standards, preventing the culture from stagnating in a 'comfort zone' while avoiding the 'anxiety zone' of punitive management (APA, 2024; Edmondson, 2024).

2.2 Barriers and Benefits of Innovative Corporate Culture

The benefits cited by the International Institute for Management Development IMD for both old and new business models include: gaining a competitive advantage; meeting customer demands; supporting the growth of the business; increasing efficiency and productivity, and supporting resilience and sustainability (IMD, n.d.). However, when we talk about innovations in corporate culture, we must not forget that every innovation or change is not easily accepted and there are always barriers that prevent or limit its successful

adoption. These barriers can take many forms, such as physical objects, regulations, policies, cultural norms, lack of resources, and even beliefs. Some barriers are real, some are perceived, and some are self-created. Removing barriers to innovation is essential to making creative ideas a reality (McKinney, n.d.). In Figure 1 we can see the common barriers to innovation like resistance to change, lack of resources and funding, limited access to talent and expertise, unrealistic expectations and timelines, and lack of clarity and alignment, which understanding and identification are vital in developing a better understanding of the challenges.

Figure 1 » Common Barriers to Innovation



Source: Hyland (2023)

The top 10 barriers to successful innovation that we encounter are as follows: fear comes first, followed by lack of leadership, short-term thinking, lack of resources/capacity, lack of collaboration, lack of time, lack of focus, lots of ideas with no delivery to market, lack of a clear process, and lack of urgency (Gover, 2015). But if you ask executives what stands in the way of innovation, they will point to real barriers such as lack of time (few executives or organisations have the spare capacity for new thinking); the

perception that doing things differently brings no benefits, only costs (and possibly punishment); lack of innovation skills; and lack of infrastructure to execute ideas. One of the biggest obstacles, however, is organisational inertia. A major paradox that managers face is that the systems that enable success with today's model reinforce behaviours that are at odds with the emerging model of tomorrow (Anthony et al., 2019). On the other hand, the benefits of innovation are obvious, such as

increased competitive advantage, operational efficiency and revenue growth. However, innovation projects tend to be risky and their benefits are usually long-term. As a result, these projects are often prioritised in favour of shorter-term initiatives that have a more immediate impact (Bezerra, 2023). Reasons, why a company should build a culture of innovation, include reasons such as it supports company growth, stimulates change, ensures continuous improvement, increases ideas, increases diversity in the workplace, identifies new areas for innovation, helps the company excel, helps the company think beyond its market, brings unexpected breakthroughs, makes the company more adaptable, ensures customer needs are met, is more efficient, attracts better talent, helps the company retain talent, improves the employer brand, offers tax incentives, it is the way modern business is done and it is also true that without a culture of innovation, there is no innovation (Livescault, n.d.). It is also true that a culture of innovation leads to higher productivity and profitability. It enables businesses to attract and retain top talent. And it fosters a sense of community in the workplace because when employees feel they are part of a team working towards a common goal, they are more likely to be engaged and committed to their work (Rehab Agency, n.d.). Incorporating innovation in the business could also help find new ways to save time and money and organizations that innovate or are willing to 'change' create more efficient and effective work processes and have better productivity and performance, leading to sustainable competitive advantage (De Silva, 2021). The impact of innovation on performance can be measured through quantitative (ROI, KPI) and qualitative indicators (customer satisfaction and engagement levels; employee engagement and morale) (Cybellium, 2024). Research on innovation culture has found that, culture and employee experience with innovation is highly correlated with an organization's overall innovation success (Furstenthal et al., 2022).

Based on the findings, we can conclude, regarding McKinsey's research, that the fear of

failure hinders innovation efforts in companies, while successful innovators consider failure as an inevitable part of learning. Innovation culture is a complex context for shaping employee values and behaviours, involving tolerance for failure and a willingness to experiment. It is important for the survival and growth of businesses in a global marketplace, with barriers such as lack of time and organisational inertia hindering innovation. On the other hand, when we will overcome the barriers to innovation, we must first identify them and then set appropriate strategies that promote a culture of innovation in the company. Because innovation, including product, process, organisational and marketing innovation, contributes to increased competitiveness and efficiency of firms. Despite the risks, innovation projects are beneficial to employee morale and overall productivity. A culture of innovation fosters long-term benefits such as greater productivity and the ability to attract talent and is essential to the success of innovation initiatives.

3. Methodology description

This study utilizes a qualitative analysis and critical analysis of contemporary academic literature and global industry reports published between 2018 and 2025, which helped us to create a more comprehensive view of innovative organizational culture, its benefits, and barriers to its implementation within the organization. The selection of sources followed a systematic approach, prioritizing peer-reviewed journals indexed in Scopus and the Web of Science database, as well as professional research from organizations such as PwC or McKinsey, with a specific focus on the intersection of Strategic Human Resource Management (SHRM) and Innovation Management. We also used various statistics based on data from PwC's Innovation Benchmark 2017, BCG 2015 Global Innovation Survey and PwC 2025 Global AI Jobs Barometer. The comparative analysis method was applied to contrast traditional innovation metrics with emerging Key Performance

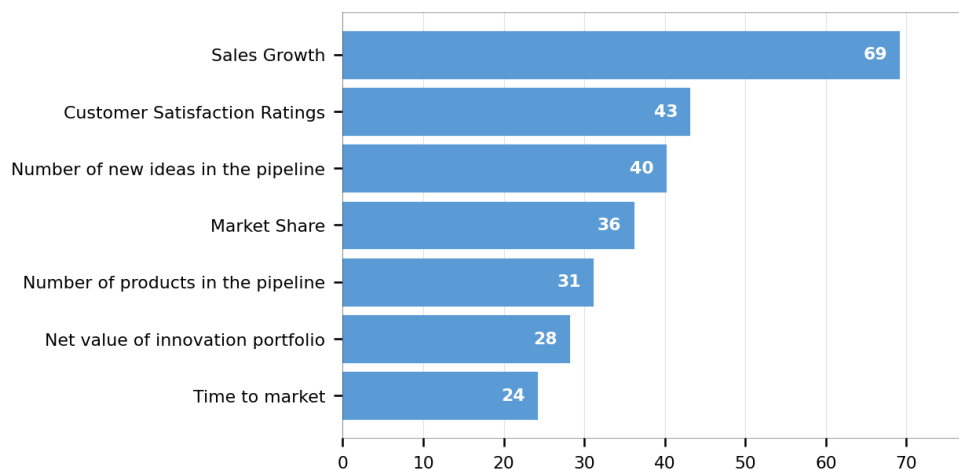
Indicators (KPIs) suitable for the Industry 5.0 environment. This methodological framework ensures that the proposed recommendations are grounded in both theoretical rigor and current empirical evidence from leading innovative organizations.

4. Gained Results

In Figure 1 we can based on PwC’s Innovation Benchmark data, that 69% of companies cite sales growth as the most important metric for measuring innovation at their organization. In the second place with

43%, there are customer satisfaction ratings, followed by the number of new ideas in the pipeline (40%) which is regarded as a critical metric for innovation. As an essential metric for assessing innovation is regarded with 36% market share. The number of products in the pipeline with 31% was identified as a key metric for measuring innovation. The net value of the innovation portfolio is considered as an important metric for innovation by 28% of companies. And 24% of companies highlight time to market as a significant metric for measuring innovation.

Figure 2 » Innovation’s Impact (in %)



Source: PwC (2017)

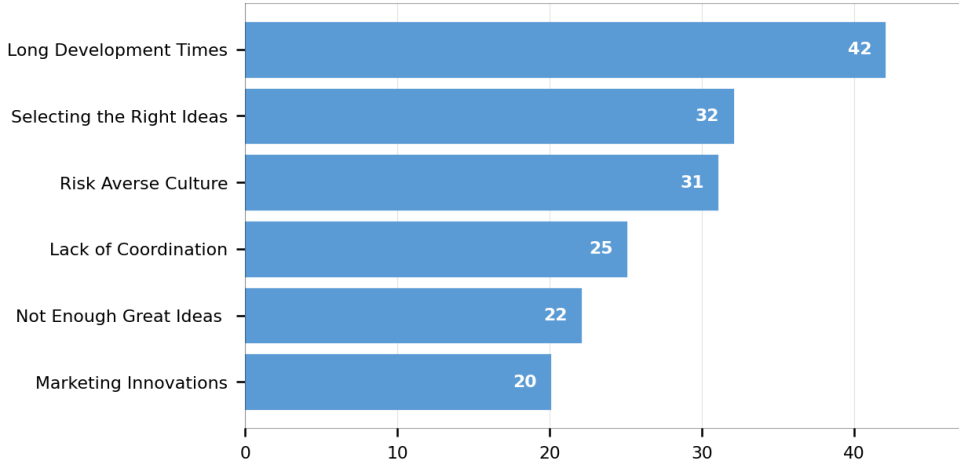
In Figure 2 we can see the common Innovation blockers identified by companies in the BCG 2015 Global Innovation Survey. In the first place, 42% of companies identified long development times as a common roadblock to innovation success. In the second place, we can see, that 32% of companies struggle with selecting the right ideas, as a barrier to innovation. 31% of companies cited a risk-averse culture as an obstacle to successful innovation. The lack of coordination was experienced as a hindrance to Innovation by 25% of companies. Not having enough great ideas as a significant blocker to Innovation was reported by 22% of companies and 20% of

companies mentioned, that they are facing challenges with marketing innovations as a barrier to their innovation efforts.

In Figure 3 based on data from PwC’s Innovation Benchmark, we can see, that 65% of companies see innovative behaviours and culture as the most important factor that impacts successful innovation in an organization. 63% of respondents indicated fresh thinking as one of the most important factors for successful innovation in an organization. In third place, there is with 52% of the strong C-suite leadership, followed by the clear business model with 47% and the increasing innovation budget with 32% was

mentioned as the fifth most important factor impacting successful innovation in an organization.

Figure 3 » Common Innovations Blockers

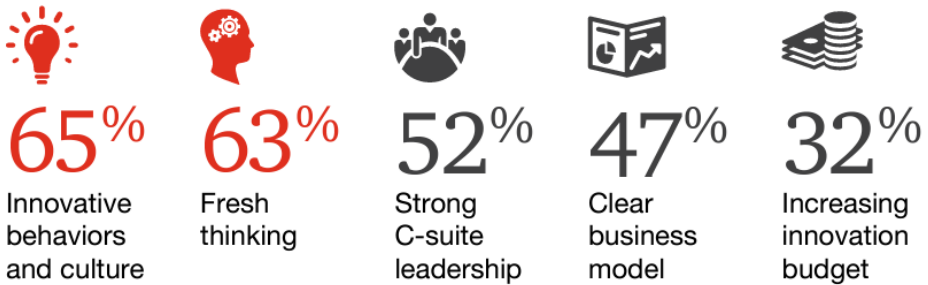


Source: Ringel, Taylor, Zablitz (2015)

When we look at further business innovation statistics, we can see that 84% of executives believed that innovation was critical to their future success. From the customer's view, we

can see that 34% of consumers prefer to own products that make them appear innovative to others.

Figure 4 » The most important factors that impact successful innovation in an organization



Source: PwC (2017)

At the same time, however, it is true that, one in every five new products fails to meet customer expectations, and 84% of consumers cite innovation as being somewhat or very important in a company's ability to sell them a product. From the organization's point of view, it is known that compared to 44% of SMEs, 58% of large businesses were actively engaged in innovation (Yaqub, 2024).

5. Discussion

The Discussion focuses on comparing the key findings presented in Chapter 4 with established theoretical and empirical works in strategic management and organizational behaviour. The analysis is structured according to innovation metrics, organizational barriers,

success factors, and the critical issue of strategic misalignment.

5.1. Dominance of Financial Metrics and Priority Analysis in Innovation Measurement

The findings from the PwC Innovation Benchmark clearly indicate that the dominant metric for measuring innovation is Sales Growth, cited by 69% of companies. This strong emphasis on direct financial output underscores the commercial imperative of innovation. This finding fully aligns with conclusions from other extensive surveys, which also identified revenue growth and Return on Investment (ROI) as the most important outcome metrics for innovation, preferred by executives (Hao et al., 2017). A fundamental premise of innovation is that it must contribute to economic and productive growth (Stundzienea, A., 2024). Empirical studies demonstrate that innovation is crucial for maintaining a competitive advantage and must translate into quantifiable economic firm performance (Varadarajan, 2018).

While customer satisfaction (43%) and the number of new ideas in the innovation pipeline (40%) also rank highly, the relatively low priority assigned to the "Time to Market" metric, which only 24% of companies consider significant, is important for understanding strategic focus. Although time to market is a key operational measure of speed (Hao et al., 2017), its low ranking might suggest a strategic preference for optimizing established processes (incremental innovation) over the rapid introduction of radically new products (Stundzienea, 2019). An excessive focus on immediate financial metrics (Sales Growth) can reinforce the short-term thinking that is itself identified as a primary barrier to innovation.

The heterogeneity of metrics used (financial, process, portfolio) simultaneously reflects the inherent complexity of measuring innovation across different types-product, process, organizational, and marketing (Stundzienea, 2019). Academic critique points to problems

with the comparability and reliability of the wide range of innovation indicators, reinforcing the need for methodological precision and the selection of metrics tailored to the specific type of innovation (Todorov et al., 2024).

5.2. Analysis of Organizational and Cultural Barriers: Obstacles to Speed and Risk-Taking

The BCG 2015 Global Innovation Survey identified three main roadblocks to successful innovation: long development times (42%), difficulty in selecting the right ideas (32%), and a risk-averse culture (31%).

Process Inefficiency and Long Development Times: The dominance of long development times signals systemic failures within the organization.¹ The literature confirms that protracted timelines are a common hurdle (Janse et al., 2021). These obstacles are not isolated but are often rooted in structural deficiencies and institutional inertia that managers find difficult to overcome.⁷ Research in specific sectors has also shown that lengthy processes result from insufficient funding, difficulty in project hand-offs between phases, and a lack of knowledge.⁶ For high-growth firms, overcoming these systemic barriers requires a comprehensive systemic approach, not just targeted funding policies (Hölzl, Janger, 2013).

Culture of Risk Aversion and Fear of Failure: McKinsey surveys confirmed that the fear of failure, criticism, and career impact hinders innovation efforts in most organizations. Despite the proclaimed "fail fast and often" approach, entrepreneurs and employees practically face serious psychological and financial consequences of failure, which explains this aversion (Josty, 2021). Overcoming this barrier requires openly communicating that failure is an integral part of the learning and improvement process.

Beyond logistical constraints such as time and funding, contemporary research identifies

'organizational inertia' as a primary psychological barrier. McKinsey (2024) highlights that this inertia is often a defensive byproduct of past successes, where established processes actively stifle disruptive ideas. To overcome this, an innovative culture must institutionalize 'creative destruction' within its HR frameworks-periodically de-prioritizing legacy projects to reallocate cognitive and financial resources toward high-potential experiments. Failing to address this systemic rigidity leads to a 'culture of stagnation,' regardless of the individual talent present within the firm (McKinsey, 2024).

Interconnection of Barriers: It is evident that the three main barriers are interconnected: a risk-averse culture forces management to approve only conservative, incremental ideas (the problem with selecting the right ideas), which ultimately reinforces long development times and reduces organizational agility.

5.3. The Central Role of Innovative Culture and Strategic Leadership

In contrast to barriers, the findings on success factors point to innovative behavior and culture as the most critical factor (65%). Culture is also a critical moderator that enables firms to effectively assimilate external knowledge (absorptive capacity) and utilize innovation networks, which is essential for competitive advantage (Bawa et al., 2024).

Strong C-suite leadership (52%) is the third most important success factor and is a key lever for shaping culture. Strategic leaders are a vital predictor of innovation performance. Their decisions and behavior not only directly influence innovation strategy but also actively shape organizational structure and culture (Wang, Su, & Sun, 2022). Effective managerial control over innovation processes, carried out by top management, further supports implementation success. Leadership must move from simply "encouraging" ideas to institutionalizing tolerance for failure and

ensuring stable resources, thereby overcoming the identified barrier of risk aversion.

A pivotal element in managing modern innovation culture is the concept of organizational ambidexterity. Strategic HR management (SHRM) plays a vital role in balancing 'exploitation'-optimizing current business operations-and 'exploration'-seeking radical new opportunities. Varandas et al. (2024) argue that HR practices in ambidextrous organizations must be flexible enough to support two distinct cultural modes simultaneously. This requires the implementation of 'innovation coaching' at the executive level and the alignment of compensation schemes with long-term strategic agility rather than short-term financial metrics alone (PwC, 2024; Varandas et al., 2024).

5.4 Critical Implementation Failure: Strategic Alignment

Despite widespread recognition of innovation's importance (84% of executives consider it critical, a key point of failure remains strategic implementation. If an innovation strategy is not firmly anchored within the corporate strategic framework, innovation projects lose their strategic purpose and are exposed to organizational inertia and resource uncertainty. Studies have shown that properly implemented and aligned innovation strategies lead to improved customer performance, development of competitiveness, and positively influence firms' financial performance (Agazu, Kero, 2024) The finding that over half of firms fail at this critical point suggests enormous untapped potential.

The strategy gap is directly related to other barriers. If innovation is not strategically secured, executives have limited ability to allocate resources to long and risky projects, reinforcing a culture of risk aversion. Therefore, overcoming this gap is the primary responsibility of strong leadership.

5.5 Measuring the Impact of Innovation Culture: Beyond Financial Indicators

To transition from a conceptual to an operationalized innovation culture, organizations must implement sophisticated measurement systems. Traditional metrics, often criticized for being lagging indicators, focus primarily on sales growth or the number of patents. However, a critical scientific perspective suggests that these do not reflect the actual 'health' of the innovation ecosystem. Based on recent studies (Todorov et al., 2024; Stundzienė et al., 2024), we propose a shift towards 'leading indicators' such as:

- **Learning Velocity:** The speed at which an organization transforms experimental data from failed prototypes into actionable knowledge.
- **Innovation Vitality Index:** The percentage of gross revenue derived from products or services launched within the last three years.
- **Retention of Strategic Talent:** Measuring the turnover rate of employees identified as key drivers of creative processes. By integrating these metrics, HR departments can provide the C-suite with a more granular view of how cultural interventions directly correlate with long-term adaptability and market resilience.

5.6. Recommendations for Strategic Practice - Innovation Culture 5.0 and Symbiosis with AI

Based on the findings and their comparison with the other academic research, the following strategic approach is recommended for organizations aiming to successfully implement an innovative culture:

Ensure Strategic Alignment and formalize the innovation strategy as an integral part of the overall business model. This ensures stable resource allocation and connects innovation

goals with the long-term objectives of the enterprise.

Institutionalize Tolerance for Failure. Given that the fear of failure is a major cultural barrier, the C-suite must actively implement systems that view failure as an investment in learning rather than a reason for punishment.

It is necessary to introduce a balanced set of metrics that include not only financial results but also qualitative indicators (e.g., employee engagement, customer satisfaction) and process indicators (e.g., quality of ideas) to prevent organizational inertia and shortsightedness.

The transition to Industry 5.0 introduces a new dimension to innovative corporate culture: the synergy between human creativity and augmented intelligence (AI). Modern innovation culture is no longer defined solely by human interaction but by 'digital fluency' across the workforce. As noted by PwC (2025), companies that successfully integrate generative AI into their creative processes report significantly higher innovation output. HR's role has thus evolved into 'architecting the environment' where AI serves as a catalyst for rapid prototyping and hypothesis validation, effectively lowering the traditional barriers to entry for creative thinking (Maddikunta et al., 2022; PwC, 2024; PwC, 2025; Wang et al., 2022).

6. Conclusion

As we can see innovative corporate culture is very important for every organization. Not just because it helps the organization find a better market position, but it also helps by further development of the organization and it is crucial for the long-term survival of the organization. However, for an innovative organizational culture to be successful, it must be embraced and accepted by the individual members of the organization. As all authors suggest innovative cultures have tolerance for failure and a willingness to experiment and a failure is seen as a good thing because it is part of the process of improvement. But this also needs to be openly communicated to the

employees to eliminate their fear of failure which is known as one of the barriers to innovations and to help change employees' minds. Employees who see failure as a part of the improvement process are more creative, and innovative and look at every problem from various perspectives to find new fresh ideas. On the other hand, every organization supporting innovative corporate culture needs to also have good leaders who encourage innovative and creative thinking in their subordinates without

making them feel incompetent or incapable. They also need to know how to implement the innovation strategy into the corporate strategy because according to the PwC Innovation Benchmark 2017, 54% of innovating organizations have trouble bridging the gap between the innovation strategy and the larger business strategy. BCG (2024) states, that our research finds 83% of companies seeing innovation as a top-three priority, but only 3% ready to translate their priorities to results.

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The Innovative Corporate Culture in the Company

ABSTRACT

Innovation culture represents a key subsystem of corporate culture that fundamentally influences an organization's competitiveness and long-term sustainability in today's dynamic business environment. The present paper provides a basic perspective on innovative corporate culture in an enterprise. It defines innovation and innovation-promoting corporate culture. It also characterizes its building, management, and the benefits it has for the enterprise. It also highlights the barriers to fostering innovation and an innovation-enhancing corporate culture in an enterprise.

KEYWORDS

innovation, culture, corporate, enterprise

JEL CLASSIFICATION

M14; M20