

Building an Organizational Culture that Promotes Innovation in IT Firms: A Conceptual Framework

Carl Hope Korkpoe, Department of Computer Science and Information Technology, University of Cape Coast, Cape Coast, Ghana

Kwamena Minta Nyarku, Department of Management Studies, School of Business, University of Cape Coast, Cape Coast, Ghana

ABSTRACT

Conceptually, new technologies have affected individuals and organisations resulting to the rethinking of all the fundamental operating assumptions of many organisations and the roles in them. Organisations exist in a rapidly changing environment, necessitating responsive and often radical strategic capabilities. This strategic move has allowed organisations to create new demand, open up new market space, apply creative solutions to problems and exploit opportunities to enhance or to enrich people's lives - innovation. The Information Technology (IT) industry is competitive by any market criteria used. Unlike its counterparts from traditional manufacturing industries, IT products have short shelf-lives (Mody et al., 1987) and appeal for customers and consumers. Survival for IT firms thus depends on a constant stream of new products and/or incremental efficiencies of existing products from the firm's innovation assembly line. Within the technology industry, the market for IT products is perfectly competitive with little or no barriers to entry. This paper focuses on investigating why matured stage IT firms finds it so difficult to innovate. It will also assess some relevant growth strategies and further review related literature on how matured IT firms can build an organisational culture that promotes innovation. A new conceptual framework necessary to formulate strategies for surviving will also be developed and diagrammatically represented.

Keywords: Framework, Information Technology, Innovation, Organisational Culture, Strategic

1. INTRODUCTION

According to a report by Deloitte, a big accounting consultancy, "Today's global technology executives face an intense new set of strategic challenges, characterized by an increase in

disruptive, non-traditional competition, dramatic shifts in global markets, and growing dominance of the consumer. These, plus the ever increasing cadence and deployment of new technologies, make it even more difficult to stay on top" (Deloitte, 2007, pg. 2). This coupled with international standardization that makes product interoperability (Bonino et al., 1999)

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and switching costs less of a barrier to both buyers and sellers of technology products (Jung et al., 2005; Porter, 1980; Beggs, 1989), make IT start-up firms get to speed quickly thereby making a dent in the market share of incumbent IT firms with little investments in capital.

In response to these challenges, there has been an increase in mergers and acquisitions activities in the IT industry as firms see that as an avenue for growth or the acquisition of new strategic assets to stay afloat. This restricts the problem to the strategic and more macro-level dynamics of the industry which like any other industry are periodic evolutionary episodes that drive consolidation and realignment as profits thin leading to exits from parts or whole segments of the industry.

2. REVIEW OF RELATED LITERATURE

In any entrepreneurially managed organisation there is the desire to grow the organisation and at an increasing pace. Entrepreneurially managed organisations provide an organisational culture that encourages employees to generate ideas, experiment, and engage in other tasks that might produce creative output. However, traditionally managed organisations prefer the growth to be more manageable so it does not unsettle the organisation by putting at risk the resources that the organisation controls as well as the jobs and power of top management.

2.1. Organizational Life-Cycle and Innovation

Organizational lifecycle theory has been used by organizational theorists to explain the evolution of firms (Greiner, 1972; Chandler, 1962). Haire (1959) modeled organizational development using the biological metaphor of living organisms transitioning through the stages of birth, growth, maturity, decline, and death. For organizations, he used the four stages of start-up, growth, maturity, and decline.

The startup stage usually involves entrepreneurs who, typically in the technology industry,

are backed by venture capital (Hellman & Puri, 2002; Davilaa et al., 2002). At this stage companies source startup capital, hire workers, and start developing their products or services. Entrepreneurship represents a unique and distinct way of managing existing organisations as against traditionally managed organisations. The transferability of entrepreneurial orientation to contexts in which the task and business environments may be vastly different remains in question (Adler, 1991; Thomas & Mueller, 2000). Entrepreneurship and strategy have important implications on the performance and growth of the any organisation. Entrepreneurs face a lot of obstacles penetrating and establishing their footprint in the market dominated by incumbents. As a result they have to compete on the basis of innovative products and superior offerings with attractive propositions for their clientele. Failure of any key product at this stage spells doom for these new firms (Almus & Nerlinger, 1999). Towards the end of this stage, companies often experience rapid growth and hire a lot more employees in order to cope with the rising business opportunities.

The expansion at the startup stage continues into the growth stage where the firms ramp up their workforce and resources dramatically. Additional financing is usually needed at this stage to keep up with the rising expansion. Revenues also grow as companies penetrate the market and start taking market share from incumbents and/or carve a niche for their innovative products. In the technology industry the firms at this stage are likely to go public in order to cope with the financial resource needs or for the venture backers to cash out their investments. This public listing has enormous implications for the future survival of the firm. Firms now have to abide by rules of corporate management structure and governance including financial reporting and compliance rules (Carney, 2006). Management which hitherto has been fairly flat to speed up decision-making becomes hierarchical with the first possible signs of bureaucracy showing up (Rainey, 1983; Adizes, 1989). Employees are unlikely to notice a sudden change in the internal workings of the firms immediately as most

founders are still with the company. However the seeds of future prospects or failure are sown at this stage.

The maturity stage is marked by security and by a slight slowdown. By this stage, companies have amassed assets and solid profits through market leadership. There are also established product lines which would have become cash cows for the company. Ownership and management of the firms would usually have passed into the hands of shareholders and their agents, with the original owners remotely connected to the company. It is the case also at this stage that the firm becomes more and more layered with its decision making in order to become compliant with rules of incorporation and achieve efficiency in its internal workings. The implication is a bureaucratic management structure that is deliberative, cautionary with risk and increasingly inert. Flow of ideas is no longer from bottom up but now top down.

There is a considerable body of literature which shows how the level of innovation activity tracks closely with stages of the firms in the organization life cycle with increasing evidence that innovation decreases over time as industries mature and decline (Tushman et al., 1997; Henderson et al., 1990; Cohen & Klepper, 1996). Mature stage firms have been described as “bloated, risk-averse, inefficient, and unimaginative” (Darman, 1986). Galbraith (1986) asserts that matured firms exhibit aging processes that can weaken them. Perhaps this decrease in innovation is more a function of organizational inertia (Christensen, 1997) that pays little or no attention to the development of new products beyond what “brought the firm to the dance”. This can be disconcerting to smart people leading to the bleeding of talent out of the firms thus stemming the flow of new, leading-edge ideas that would spawn the next blockbuster product to make the company competitive. Ironically such employees go on to set up their own successful startups (cf. Apple and Steve Jobs; Xoooglers and Google, *The Economist*, December 2, 2010). As rigid Bureaucracy deepens, most employees become so frustrated that they exit the firms to start

their own companies. Talent thus drains from the firm and the number of innovative products and patents coming out of the firms’ pipeline decline drastically (Gilmore et al., 1983).

The path beyond the matured stage is either decline or revival. The history of the information technology industry is littered with the likes of Netscape, AOL, Olivetti, Brother, Digital Equipment Corporation and Borland Corporation who failed to keep abreast with their peers through innovation and ended up defunct or in the arms of acquirers and the extraordinary stories of revival of the likes of IBM, Xerox and Kodak to become leaders in their respective industry segments. Although an organisation’s entrepreneurial processes may facilitate the pursuit of new entry opportunities that enhance its performance, adopting a strong entrepreneurial orientation is increasingly considered necessary but insufficient for wealth creation, strategy and growth of Small-Medium Enterprises.

Bui (2007) characterizes the revival stage as that period when firms diversify their products, venture into new and sometimes unrelated markets, take risks and become entrepreneurial again. For most mature stage IT firms, this revival means mergers and acquisitions of startups or struggling incumbents with innovation capabilities. Given the evidence, however, of the recent problematic M&As in the industry (Graebner et al., 2010; King et al., 2008), it would make sense that firms reinvent themselves by becoming innovative internally as a basis of growth – organic growth. Throughout the history of the information technology industry, success has always come from innovation (Dougherty et al., 1996) in the market.

Corporate entrepreneurship which comprises creativity and innovation characterizes early-stage firms. This quality is embedded in the DNA of all mature stage firms because that is how these companies started. It is the ageing process that tends to blunt the innovative capabilities and dull the imagination of most mature stage firms. Rediscovering what brought them to that stage is essential if they are going to achieve real competitive advantage through a process of internally generating a pipeline of

innovative products that are responsive to the needs of the market.

2.2. Growth Strategies

Recent years have brought an increased interest in better understanding the phenomenon of organisation growth (Brown, Davidsson, & Wildund, 2001; Correa, Acosta, Gonzalez, & Medina, 2003; Littunen & Tohmo, 2003; Delmar, Davidsson, & Gartner, 2003). There are many reasons for this expanding interest. From the economic and social point of view, there is the fact that organisations that grow more are the ones that generate more new jobs (Birch, Haggerty, & Parsons, 1994; Littunen & Tohmo, 2003). Also, from the academic point of view, growth constitutes one of the least studied dimensions of performance within the field of management, as compared to other variables such as profitability (Porter, 1980, 1985; Rumelt, 1991)

Igor Ansoff (1965), proposed various types of corporate-level strategies aimed at explaining the growth of the firm. He understands corporate strategy to be the set of rules and guidelines for decision making that are concerned with guiding the expansion of the enterprise. Although corporate strategy typically refers to diversification, mergers and acquisitions, alliances, joint ventures, and so forth, it is also associated with the sort of strategic decision that most organizations face when considering the widening of a range of products or services or a move in geographical area (Johnson & Scholes, 1984, p. 9). Corporate strategy is not only applicable to large conglomerates, but it is also useful, when appropriate, to describe the expansion processes in the case of small and medium enterprises (Burgelman, 1984; Gibbons & O'Connor, 2005; Miller & Toulouse, 1986; Mitchell, 1988). Such strategies are based on two different dimensions Ansoff (1965): (1) growth through new products or new technologies; and (2) growth through attention to new needs or new markets.

The work of Ansoff (1965) suggests that strategies involving the development of new

products or technological processes and/or those aimed at the satisfaction of new needs and markets are more risk-taking than the others, so the strategy of market penetration becomes the safest option as compared to diversification, the most risk-taking alternative. Therefore, firms that want to grow at an exceptional rate (higher than the average growth of the firms of the same sector) will tend to escape or broaden the traditional product-market sphere, through expansion via development of new products--technologies or via attending to new needs--markets, or both at the same time (diversification).

All organisations need to be able to manage strategies so to achieve the objectives of the organisation successfully. Today's business environments are incredibly dynamic, exciting, and increasingly global – qualities that make them inherently interesting and invite customers. The pace of change guarantees that new customer needs and wants, shifts in the demographic characteristics of consumer population, new technologies, products and services, and new organisations will continuously enter into competition. Strategy helps the organisation in the purposeful search for opportunities (Drucker, 2002).

Covin and Slevin (1991) describe entrepreneurial organisations as organisations with strategies oriented toward innovation and growth through their capacity to assume relevant risks. Meanwhile, entrepreneurial strategy represents all the set of decisions, actions, and reactions that first generate, and then exploit over time, a new entry in a way that maximises the benefits of newness and minimises its costs. Covin and Slevin (1991) affirm that entrepreneurial behavior requires the consumption of large quantities of resources, so having access to these resources should facilitate the use of strategies derived from entrepreneurial behavior (Wiklund & Shepherd, 2005). In addition, the availability of resources will increase the likelihood that said strategies will be put into practice in better conditions. That is, the success of a certain strategy will also depend on the amount of

unused resources available to the organization (Covin & Slevin, 1991).

Macro-level analysis of firm competitiveness is incomplete in the context of firm survival in the IT sector where a continuous stream of innovative products to satisfy wandering customer tastes is necessary for firms to make up their numbers from quarter to quarter. Competitive analysis hitherto has been dominated by the prescriptive Porter's 5-forces analysis model (Porter, 1980) with inordinate emphasis on the criteria of efficiency, quality, responsiveness and flexibility. These criteria underlie the conduct of business for any IT firm with a chance of staying in the game hence do not endow any firm with competitive advantages needed for survival in the "new competition" of diverse and unpredictable customer demands (Best, 1990).

A rich stream of research on micro-level competitive analysis exists in other industries that have the potential to enrich the search for the elixir that incumbent firms need urgently to stay in the game. Micro-level factors refer to social conditions within firms (Attila, 2008). These conditions are path-dependent and idiosyncratic to firms thus conferring the advantages of rarity and difficult to imitate on firms. Among candidates for potential micro-level factors, Mayer-Stamer (1995) isolates extensive networks of trusted personal relationships, simple organizational structure and high-level of entrepreneurship. These factors are characteristic of an organizational culture that emphasizes individual initiative, speed, risk-taking, open communication and organizational identification.

If companies must survive and succeed, they need to find ways to rapidly, radically, and measurably change their strategy, processes, and roles. Organic growth and growth by acquisition should be complementary strategies as their successful execution depends on aligning organisational resources around achieving corporate goals faster, better and cheaper.

2.2.1. Merger and Acquisition Activity in IT Firms

Most of the acquisitions we have seen so far are big IT firms acquiring small nimble-footed and innovative firms. The acquired firms are usually in the growth stage with lots of products and ideas in their innovative stream, a contrast to the big firms which over time have come to rely on old products whose charm is waning. As an industry, small and new IT firms have had to survive and make inroads into the market through innovative and diverse product offerings. It is hoped that by acquiring such firms, incumbents will enter new markets without the huge expense and uncertainty of developing new products. The evidence as we will see later however is that such acquisitions most often than not destroy value.

In their recent book "*The Granularity of Growth*", the authors Patrick Viguerie, Sven Smit and Mehrdad Baghai (2008) remarked that growth creates healthy companies, opens up opportunities and excites talent. Slater (1980) asserts that firm growth rates are essential to theories underpin a firm's key survival parameters like efficiency, market dominance and/or power and profitability. Indeed growth on its own is sine qua non for survival (Viguerie et al., 2005). For IT firms in a perfectly competitive market finding sources of growth internally is challenging.

Accenture (2011) identified eight key technologies that will remake the business landscape going into the future—changing data platforms, analytics, cloud computing, shifting architecture from server-centric to service-centric, IT security, social platforms and user experience. These are technologies with low barriers to entry and on totally new development platforms that give huge advantages to start-ups with no legacy systems. The implications for incumbent firms are thus huge. As it is, we are going to see a spike in mergers and acquisitions in the industry. Graebner and his colleagues define

M&A activity in technology as “transactions in which the acquired firm operates in a technology industry such as networking equipment, software, medical devices, semiconductors, or biotechnology” (Graebner et al., 2010, pg. 74). Incumbents according to Graebner et al. (2010) enter the M&A market for a variety of reasons. Among these are to obtain new products and technologies that they are unable to generate internally, harness the innovative capacity of smaller and younger firms, enhance market power, eliminate potential rivals and access tacit knowledge that makes these smaller firms so nimble-footed. In some recent acquisitions for example, incumbents like IBM and SAP have bought Cognos and Business Objects respectively in order to gain access to and establish a footprint in the burgeoning business intelligence market. H-P in 2010 won a \$2 billion bidding war against Dell for 3PAR, a privately held utility storage provider. HP’s offer which according to some estimates values 3PAR at 300 times the company’s earnings before interest, taxes, depreciation and amortization (EBITDA) during fiscal year 2009 is in anticipation of the potential payoffs in the emerging storage segment of enterprise computing.

M&As in technology however have a history of spectacular failure. King, Slotegraaf, and Kesner (2008) in an empirical study of acquisitions in R&D-intensive or high technology firms, found that the technology resources of both buyers and seller negatively reinforce one another thus destroying value. In Evans (2004), the CEO of Cisco, John Chambers remarked that 90% of technology acquisitions fail. Cisco, a giant in networking technology, has itself expanded over the years through lots of acquisitions.

Among the pitfalls identified is lack of cultural fit which makes integration difficult (Lodorfos & Boateng, 2006). Cultural differences and its role in post-acquisition was cited as the main reason for the difficulty in the integration of HP-Compaq merger, US\$ 24 billion in stock acquisition which was described by Fortune Magazine (February 07, 2005) as:

The HP-Compaq merger was a big bet that didn't pay off, that didn't even come close to attaining what Fiorina and HP's boardsaid was in store. At bottom, they made a huge error in asserting that the merger of two losing computer operations, HP's and Compaq's, would produce a financially fit computer business.

If firms grow internally by being innovative, issues of cultural clash would not arise (Dougherty et al., 1996). One way firms can achieve revival is to be “young” again by adopting turnaround revival strategies (McCann, 1991).

In other cases of M&A in technology, the *raison d'être* has been far from convincing. Given the lack of a sound and compelling business case, such transactions like the case of eBay’s of Skype for \$2.6 billion, was bound to fall apart as it did two years later. The synergies that eBay was looking for in acquiring Skype were non-existent because of totally different business models of the target and acquiring firm.

Overall, whereas it appears that M&A is the easiest route for most incumbent technology companies to stay in the game, there is contrary evidence to the much cited benefits of such transactions (cf. Acquisition of Skype by eBay, merger of AOL and Time-Warner, HP-Compaq, etc). Jensen and Ruback (1983) empirically established that mergers do not create value for the buying firms. Moeller et al. (2005) estimate that in over two decades (1980-2001) 12,000 firms in the M&A business have destroyed shareholders value worth over \$220 billion. It seems therefore that most M&A activity to grow and remain in the game have been ill-considered and would not be the path for technology firms going into the future.

2.2.2. Growing Organically through Innovation

Corporate entrepreneurship holds the key to organic growth for mature stage firms (Finkle, 2011; Baumol, 1986, Bugleman, 1983). By extending the firm’s capabilities to exploit op-

portunity in the market place, internally generated innovations hold the prospect of helping firms leapfrog the competition. According to Sathe (1989), corporate entrepreneurship is a process of firm renewal through a committed process of product, technological and process innovations that re-establishes the pre-eminence of the firm and enhances its ability to compete. Corporate entrepreneurship is a deliberate effort to go back to an organizational culture that characterized an earlier stage that brought the firm to the matured stage.

Apple is a company that re-established its entrepreneurship after a period of stagnation when it lost its leadership in innovation in the technology industry. It achieved that by creating a learning organization modeled on the concept of Shell Learning, a paradigm pioneered by Shell Corporation to make everyone in the firm a learner. Many renowned management thinkers see the learning organization as a response to a complex and an ever changing business environment, a defining characteristic of the IT industry. Organizations exhibit cognitive aging effects as they go through the organizational life cycle (Jelinek, 1994). Learning therefore as an organizational life is a *sine qua non* to staying abreast with the knowledge needed to spot and develop innovations.

3. ORGANIZATIONAL CULTURE THAT PROMOTES INNOVATION IN IT FIRMS

Schein (1985) projects the power of a combination of organizational culture and leadership in promoting organizational outcomes. There are no universal definitions of culture and therefore can be defined in many ways. Doole and Lowe (2000) define it as “the sum total of learned beliefs, values and customs that serve to direct customer behaviour in a particular country market” whereas Hofstede (2000) defines culture as “the collective programming of the mind”. In any firm however we can find a defining set of morals, experiences, values and belief systems that underpin the very existence

of the organization. Ravasi and Schultz (2006) look at these shared mental assumptions as guiding interpretation and action in the firms thus constituting the organization’s culture. As it is the firm can structure this culture to fit its collective goals inasmuch as the organizational objectives would define the culture one can find in the company (Cohen, 1989).

Companies’ different cultures are coming into conflict more and more these days. However, to change a company’s culture is a very long, slow and difficult process. Organizational culture that emphasizes generation of new knowledge can help spawn intangible assets that are invaluable in innovation drive (Teece, 2007). According to Huber (1990), an intelligent firm is the firm better at learning and producing new knowledge. To compete therefore, IT firms need to build an organizational culture that promotes innovation and learning at all levels of the firm.

Having a strong culture is a mixed blessing as it can drive the company forward with single-minded ambition or blind the company to its own faults. Organizational culture can be used to put in place structures found during the growth phase of the firm – a learning organization, promoting knowledge sharing, building visionary leaders at all stages of the organization, recruiting and retaining creative people, taking risks and creating a challenging environment.

3.1. Proposed Conceptual Framework

Peter Senge (1990) posits that learning organizations are better prepared to respond to external environment, build capacity to adapt and change quickly, have everyone as a learner and use the results of learning to enhance the firm’s ability to innovate. Thus we propose that:

P1: Encouraging a culture of organizational learning at all levels builds an organization with the capacity to innovate using organizational knowledge base.

Knowledge within the organization tends to be tacit and bound to individuals. Such knowledge is less useful to the organization (Haldin-Herrgard, 2000; Cavusgil et al., 2003). Knowledge that helps the firm to build its capacity is the explicit knowledge within the collective memory of the organization. Many organizations make the mistake of designing compensation systems and performance measures that reward individuals while expecting cooperation and knowledge sharing. Luthans and Stajkovic (1999) claim that organizations get what they reinforced. A compensation system that rewards individuals for their knowledge encouraged lack of cooperation and knowledge sharing to the detriment of the firm. Employees become reluctant to share knowledge because their standing and earnings depend on what they know (Stenmark, 2000/01). A knowledge base in the commonality of the whole organization represents a wealth of capacity for corporate entrepreneurship.

P2: An organizational culture that promotes knowledge sharing by encouraging staff to network, share and interact will build organizational innovative capacity.

Compensation schemes again determine who stays in the firm. According to Zenger and Lazzarini (2004), large incumbent firms' compensation systems are skewed to inordinately favor seniority than on performance or delivery of tangibles. This invariably reduces the firm's ability to attract young and innovative entrants with the knowledge in some of life-changing ideas required to be innovative. Too many times by relying on the firm's existing knowledge, it becomes difficult to produce the next big idea to keep the firm in the game. Over time an inability to attract and retain a young talent leaves the firm with an old guard who suffer from the same cognitive ageing effects that afflict old people, leaving the firm with the capacity to respond to changing market dynamics. Firms with a diversified workforce have a better chance of coming up with creative ideas than otherwise. We propose therefore that:

P3: An organization that builds a culture of recruiting and retaining creative people with diverse interests will enhance its ability to innovate.

Corporate entrepreneurship embodies a considerable amount of risk taking (Miller, 1983). Most R&D products either fail to make it to the market or do not catch on with consumers in the market. Any pursuit of innovation involves some amount of risk to the organization. Corporate entrepreneurship is inherently a risk taking activity (Zahra et al., 1995) and any firm without the appetite for risk has little chance of revival. A corporate environment that also provides a sense of psychology safety lowers the perceived sense of interpersonal risk the employees face and this encourages them to venture with new ideas without fear (Edmondson, 2002, 1999).

P4: Organizational culture that tolerates risk encourages it members to feel safe in experiment with new products and services capable of making the firm competitive.

Revival represents a potentially unsettling phase in the life of a company. People need a visionary leader to rally around during such tough times when the organization is in such turbulence. How leaders operate in firm turn around processes has been studied extensively. In their study of company turnaround processes in three declining engineering firms, Harker and Sharma (2000) identified the effects of changes in the firm that were championed by leaders at all levels. Legends of firm turnarounds tend to inordinately focus on that single visionary leader usually the CEO who leads the change (e.g. Lou Gerstner at IBM, Lee Iacocca at Chrysler). Delving deeper into the extraordinary turnaround at IBM, Gandossy and Efron (2004) identified a system of accountability where leaders were responsible for growing leaders at all levels. IBM saw leaders as an important asset that needed to be managed carefully.

An organizational culture that promotes innovation should expect big ideas to come from anywhere (cf. 3M, Google). A system of diffused visionary leadership that is pervasive at all levels of the organization motivates and empowers employees at every level of the ladder to think boldly like it happened in the Honeywell turnaround (Renier, 1987).

Employees need to be excited by the work they do and come from the autonomy they enjoy in the conduct of work, work enrichment through the assignment of challenging and interesting tasks and getting honest feedback at all levels. That is what stimulates employees to think beyond the obvious and come out with ideas that drive innovation.

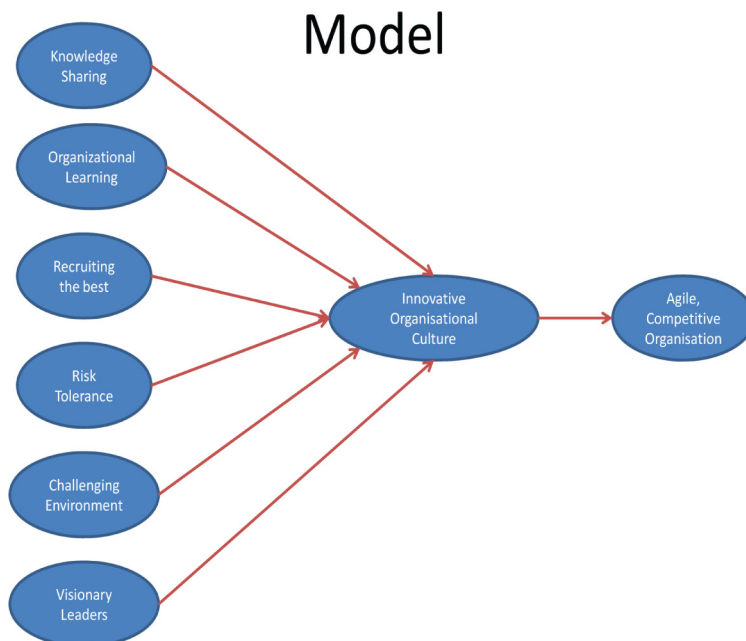
P5: An organizational culture that builds visionary leaders at all levels will produce an energized workforce capable of driving innovation.

P6: An organizational culture that creates a highly challenging environment attracts high energy people who can sustain the agenda of the firm.

A challenging work environment attracts highly energized people who find congruence with their own ambitions (Bretz et al., 1989; Schneider, 1987). An organizational culture that fosters corporate innovation and continuous and rewarding learning at all levels is conducive to creating a motivating and challenging work environment necessary to attract and retain a talented workforce needed to be innovative (Amabile et al., 1996).

High growth tends to be associated with an organisation's entrepreneurial behavior (Brown et al., 2001; Stevenson & Jarillo, 1990). Thus, growth tends to be considered a logical consequence of innovative, proactive and risk-taking behavior on the part of the organisation, as these are the dimensions which define an entrepreneurial orientation. Lumpkin and Dess (1996, p. 140) classified entrepreneurial orientation into five dimensions: autonomy, innovativeness,

Figure 1. Organisational culture framework that promotes innovation in IT firms



risk taking, proactiveness, and competitive aggressiveness. An effective combination of five dimensions of entrepreneurial orientation can gain competitive advantage or strategic renewal. Because of increasingly volatile competitive environments and rapidly changing customer demands, SMEs with a flexible, innovative strategic approach that can take advantage of emerging opportunities should perform better than conservative SMEs

Entrepreneurs seek to identify new opportunities, respond to environmental changes, and take appropriate actions to achieve performance. Most often, entrepreneurship is interpreted as business ownership or self-employment. Finn-level entrepreneurial behaviors include product or process innovation, the risk-taking propensity of the firm's key decision-makers, and evidence of proactiveness (Miller, 1983). Essentially, it refers to a firm's strategic orientation, capturing the specific entrepreneurial aspect of decision-making styles, methods, and practices.

Revival for mature or declining firms is all about going back to the basics and rediscovering what the firms already has in its DNA. Young, smart and innovative firms get their stripes through an agile culture that promotes excellence at all levels within the organization. Mature stage firms fortunately have the resources and memory to draw on when they embark on revival processes to turn around the company. Mergers and Acquisitions for most part seem like the silver bullet to pull mature firms from obscurity and help them compete again. The literature however demonstrates the opposite. Firms must leverage the power of organizational culture in building the firm's capacity and architecture to innovate.

The proposed conceptual framework is diagrammatically represented in Figure 1.

4. CONCLUSION

Despite thorough pre-merger procedures, mergers continue to fall far short of financial expectations. The single biggest cause of this failure rate is the poor integration following the

acquisition. Without proper planned integration processes or its effective implementation, mergers will not be able to achieve the full potential of the acquisition. IT firms are finding it difficult discovering new growth opportunities in an increasingly competitive market environment (Shane, 2001). Growth strategies are quickly imitated by rivals leaving only a small window for competitive advantage.

Corporate cultures are the major obstacles to successful change and must themselves change. Proactive cultural management bars obstructive behaviours and, instead, supports, reinforces, and rewards constructive ones. The leaders' personal behaviour must be consistent with the demands of cultural change. Organic growth through an organizational culture that puts innovation at the heart of what the firms does is path dependent and represents a uniqueness that is difficult for rivals to imitate. Culture is powerful and using it, firms can create an innovative corporate entrepreneurship mindset among its employees to think boldly and come up with the next big ideas needed to populate the company's product line with new things that the markets covet.

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Carl Hope Korkpoe, currently on leave from the Department of Computer Science & Information Technology, University of Cape Coast, Ghana where he teaches at the undergraduate level, is a PhD student in Information Systems at Baylor University, Waco, Texas, USA. His interests include research in competitiveness and innovation of established technology firms, improving political governance and increasing citizen access to public services using technology and mathematical modeling. He did his undergraduate degree in Civil Engineering in Ghana's University of Science and Technology, Kumasi-Ghana followed by master's degrees in Computer-Aided Engineering and Information Systems from UK's Cranfield University and Baylor University (USA) respectively. Before joining the University of Cape Coast, he worked as a consultant in KPMG Ghana's assurance services.

Kwamena Minta Nyarku is a lecturer at the Department of Management Studies, School of Business, University of Cape Coast, Ghana. He also lectures at Zenith University College in Accra, Ghana. He previously worked and taught in companies, colleges and universities abroad and in Ghana. He received Bachelor of Education (Social Sciences) degree from the University of Cape Coast, Ghana, and an MBA Marketing and Finance at Leicester University, U.K. He also holds a Postgraduate Diploma Certificate in Marketing. He is a marketing and strategic management consultant. Kwamena lectures in all marketing courses, strategic management, international business and entrepreneurship at both undergraduate and graduate levels. He is an external examiner/moderator for over 10 public and private universities and a dedicated contributor to marketing and business education. His research interests include strategy, marketing, customer service and satisfaction, corporate social responsibility and professional selling and have considerable research publications in marketing, sales, and strategy.