Research on Influences of the Demographic Organizational Culture on Innovation in Businesses Enterprises

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Abstract. The COVID-19 pandemic has brought about a significant shift in work culture, with remote and flexible hours becoming increasingly popular. This change has highlighted the importance of work-life balance and resulted in a shift towards democracy in the workplace. In this environment, employees are encouraged to express their opinions and ideas, and managers actively listen to and consider them in their decision-making process. This approach leads to increased innovation as diverse perspectives and ideas are considered. Integrating demographic business models into organizational culture can further promote this democratic approach, as it encourages managers to take into account the unique needs and values of different demographic groups. This leads to a more inclusive work environment, which increases productivity and employee satisfaction. But democratic strategies have potential drawbacks. It may not be necessary for certain types of business, and conflicts may arise as different opinions are expressed. Therefore, businesses must conduct thorough research to determine which democratic strategies are most effective in their particular circumstances. Overall, integrating democratic strategies into organizational culture can be a valuable tool for innovation and productivity. However, balancing this with efficient decision-making and smooth operations is essential.

Keywords: Demographic Culture; Innovation; Business Strategies.

1. Introduction

1.1. Research Background

With the rise of the global economy, employers need to attract suitable employees because of a talent shortage. According to data from ManpowerGroup, the global talent shortage will reach 75% in 2022, the highest percentage in the last 16 years. The business needs to be unique and outstanding to attract the people it seeks. It got even worse after COVID-19, before 2019, the global talent shortage was less than 50% [1]. This is because businesses cannot retain workforces or raw materials as they cannot operate their businesses [2]. In order to overcome this dilemma, businesses should examine the recent expectations of their employees about their working environment. Recently there's been a leading trend called 'Democratization of the Workplace'. The CEO of Glassdoor, a US-based subsidiary internet company that built a website to review these companies anonymously, had defined this trend as transferring the traditional role of companies on leading and controlling the whole process of the whole operation of business to a more transparent operation mood where individuals can take enrolling decision-making, engaging in different operational processes and sharing their ideas to promote democracy in the workplace. Employees optimized this trend from Glassdoor's reviews, and companies ranked as the happiest places to work a treat their employees with high respect and clear expectations. In addition to having a great reputation among their own staff, these employees also tend to yield higher shareholder returns and produce more productive employees [3]. This trend has shown that businesses must create a democratic environment in the workplace to promote and retain talents to sustain their business operation.

Apart from being sustainable for businesses to continue operating for a long time, a democratic working environment also effectively stimulates innovation in business. Leaders with a democratic leadership style will actively encourage communication and participation. Their employees will be more willing to share their ideas during teamwork so that the leaders can see through their decision-making process from diverse perspectives. Also, most large organizations seek feedback from their

employees to moderate their working environment through employee engagement surveys and feedback. This is a strong sign of democracy and collecting more information for better innovative ideas [4].

1.2. Literature Review

The recent studies of the company democracy model from the Tampere University of Technology have briefly described how a company can build an effective democracy model for their own business. The paper mainly suggests how businesses set their goals to promote democracy and sustain business operations. It also suggests how they identify their own degree of democracy and unique organizational culture. The pyramid model helps scholars understand the different levels effective decision-making should go through for efficiency and success, as shown in Figure 1. Moreover, they showed that cultural innovation is at the top of the model, which requires strong corporate relations between all levels. Maintaining high culture innovation requires a long-term balance between leadership and individual employees. Managers need to build the fundamental layer first and then construct plans for the higher layer. Therefore, business leaders should maintain their plans step by step to sustain their final goals of the overall organizational culture [5].



Fig. 1 Company Democracy: A Multidisciplinary Management Method

(Source from: https://discovery.ucl.ac.uk/id/eprint/10120796/1/Markopoulos_Democratic%20Culture%20Paradigm%20for%20Organizational%20Management%20and%20Leadership%20Strategies%20-%20The%20Company%20Democracy%20Model_AAM.pdf)

However, some studies show that some businesses fail to implement democratic principles, for example, when the environment changes. The main findings from the University of Management & Technology, Lahore Pakistan have stated that for some multinational companies, the same democratic strategies may not be suitable for all cultural backgrounds, people from various countries hold their own values of the workplace, the way business is used in western countries for communication may not be effective when utilized in Asian countries. This problem will also occur in different industries. There may also be differences between the democratic principles applied to different industries. The company may have sustainable strategies if they follow democratic standards [6]. Apart from that, some small businesses may not have the time and financial capacity to deeply apply the multidisciplinary management method to evaluate themselves, so they may fail to utilize democratic strategies to promote innovation in business operations.

There is additionally another paper from the University of Richmond that discusses the advantages and disadvantages of organizational democracy and whether the company should implement it or not. From the previous study, a democratic environment can effectively promote some creative ideas from employees. This can make them more productive since they work in their desired environment. However, from the previous paper, it may not be effective for businesses to adopt it. The main opinion of the University of Richmond is that businesses should evaluate themselves first. This is because they should consider whether they are suitable for implementing a democratic structure in their business operation. It is also important to consider how much power the business should provide to its employees; if staff holds too much power, it will negatively impact the company's operations [7].

Hence, current studies on the democratic organizational structure mostly focus on how a business should form democratic principles, strategies, and environment. Having the ability to implement democracy effectively in the business can promote innovation, but there are still potential risks for unique businesses. To be further illustrated, this paper will mainly focus on how democratic organization structure influences innovation in business. It will also focus on how businesses can use this structure to create innovative ideas and promote unique brand images effectively. This will enable them to be more innovative and sustainable.

1.3. Research Framework

This paper will mainly introduce an introduction to the background and the main method used. It will also give the following case studies analysis of the result of some findings. It will then present suggestions on how businesses can effectively promote innovation through implementing democratic organizational, further evaluation, and a summary.

2. Methods

This study extensively uses case studies to better understand the topic. Case studies are deep examinations of two or more individuals, groups, events, or situations. To develop conclusions and suggestions, it will be necessary for this paper to examine companies from the standpoint of how they implement democratic principles and how their innovations are impacted by them in order to determine what conclusions and suggestions can be found. For evaluating the effectiveness and limitations of businesses that incorporate democratic principles into their business operations, real-world case studies will prove to be a more useful method of evaluating the effectiveness and limitations of these businesses. Moreover, it is also anticipated that further research will be done, involving some data analysis and literature reviews in the future, in order to further validate the results.

3. Result

3.1. Promotive & Open-minded Innovation

In recent years, with the development of technology, many businesses have introduced advanced techniques to improve their operation or management. This will create a neoteric working environment for the entire business. Compared with other organizational cultures, businesses that are more democratic are able to promote and contain innovation in diverse real-life situations, as the environment is one of the key contextual factors that influence innovation [8]. To further illustrate, this paper will look through some case studies generated by the University of Wollongong to give an insight into the explanation.

In a journal, authors describe the use of Knowledge Management Systems to facilitate business adoption, or intention for adoption, of organizations in different industries. This research uses Wiki technology, which is a technology that can be used for building a collaborative workspace and storing data online. Businesses can better manage their operations and collaborate with one another with the help of Wiki technology. They came up with research questions for six different organizations from Australia and the UK on their main purpose, length, and challenges of implementing Wiki technology.

Among the six cases, organizations with an open and innovative culture contain employees with lower average age and longer length of Wiki time. Other organizations with a bureaucratic culture may have a longer time using KMS. However, they lack the use of the revolutionary technology of Wiki, so they are facing a lot of difficulties while adopting the changes. Their main problems are introducing Wiki technology into their operation and further implementation. As previously mentioned, those organizations with open and democratic organizational structures attract the younger generation of their main workforce. This is because they have the capability to learn how technology is applied in their work. This will help them to learn the ability to use technology more easily than older people. Those companies claimed they needed to put more effort into training and development to empower their staff with the skills to apply technology. Also, they mainly use Wiki for some basic work, like document storage. However, they failed to invest in further development of the upcoming technology, which is not helpful for business innovation [9].

To look further at those cases, it is shown that organizations with a highly open-minded and democratic culture are developing their further usage of technology despite the basic function of storage and online corporation to data analysis of supervision and Knowledge Management (KM) practices [9]. Being more democratic for an organization will help with better promotion and encouragement for expressing ideas [10]. This will help the younger generation prefer to work with organizations because the organization values their ideas and capacity. It is critical for businesses to be willing to implement changes in order to result in innovation. These innovations should come from individuals' ideas to be accepted by their own organizations, and their managers and employees will also be able to accommodate them. Hence, utilizing the democratic structure to generate better innovative ideas can improve their current decision-making and be more outstanding in their market.

3.2. Corporate Value & Innovation

In addition, cooperation in businesses is also important as they run in groups to achieve better innovation, so here's a further examination of a case that is well-known for its cooperative nature. It is a Spanish company called Mondrago Corporacio Cooperativa (MCC). MCC is a worker cooperative that is primarily involved in the fields of industry, finance, knowledge, and retail. They really value their corporate value to promote innovation to gain the most desirable decisions for specific departments, and this brings us to the definition of corporate innovation. After talking with different individuals and researching, the author developed some outstanding strategies to improve the business. As part of their mission, they aim to develop a Management Model based on the principle of cooperative value so that they can build the modern management practices and experience of other similar advanced companies. They won numerous ISO certificates and also obtained European recognition in 2000. Under the corporate culture, their organizational structure is flat, and the power hierarchy is distributed by delegation. This is on the social basis that they will choose one person from each group to represent their ideas and conduct. This will be the final decision for the whole corporation [11]. From Figure 2, there are several divisions under the General Council, and each division contains different sectoral clusters. In clusters, people are free and autonomous to join, and their performance is evaluated by their performances [12]. As a result, employees can schedule their own work-life balance and have high levels of flexibility, as well as a high level of motivation to do their jobs. In the recession, the worker-shareholder's transformation is based on performance. The profit will be based on cluster distribution to motivate people with better cluster strategies to gain better profits [13]. The competition within the organization creates a virtuous circle, clusters' individual's corporate with their peers effectively for improved performances that lead to overall stimulation of the division's development, and as a result, get optimized benefits for the whole corporation.

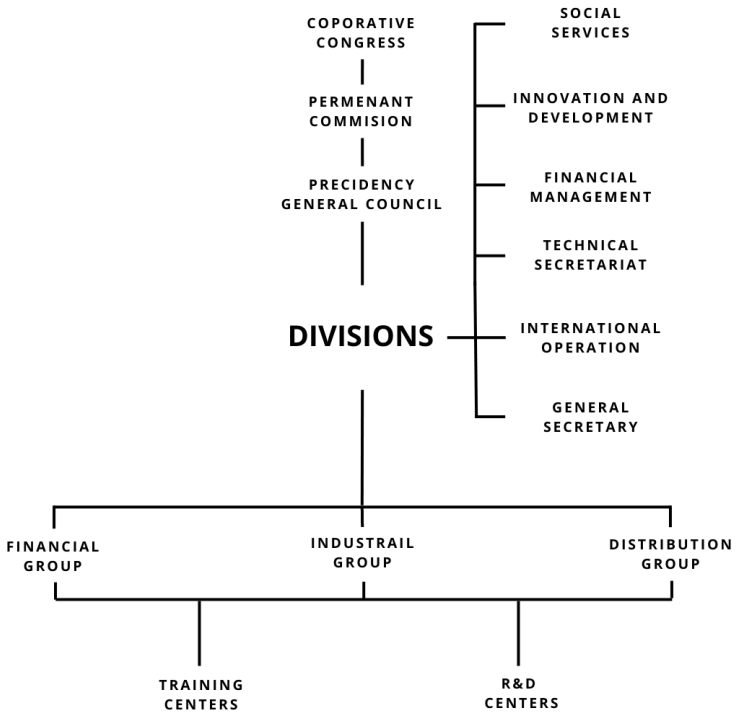


Fig. 2 The organizational structure of MCC

(Source from: https://link.springer.com.remotexs.ntu.edu.sg/article/10.1007/s10551-004-5094-5)

Apart from the general parts of the organization, the two centers below also showed signs of innovation. A key corporate value at MCC is to ensure that every member of its staff is equipped with the skills required for collaboration with some universities. They also train their employees in various skills that can enable them to build their potential and develop knowledge based on different divisions. This will help establish the foundation of corporate innovation. They further implied their corporate innovation. They developed R&D centers that specialize in business research. By using their R&D centers effectively in 2003, they were able to enter the international market. As a result, MCC successfully uses its corporate value to pave the way for the business innovation they seek.

4. Discussion

4.1. Democratic Performance Evaluation

Previous cases have shown how effective businesses have used democratic leadership styles to promote innovation. This can also help create an organizational culture that is highly tolerant of changes. The Wiki-tech case shows how companies adapt to the new trend of having younger employees within their organization, and the younger generation prefers recognition of their individual identities in business decisions. However, it is imperative to have a standard of acceptance of employees' opinions that positively impact the entire organization. In the other case of MCC, people are encouraged to have a flexible work schedule to improve their motivation and productivity at work. However, ensuring their performance and keeping records will be challenging, as their working schedule is quite flexible. As a result, setting up a standard for evaluating their performances, such as KPIs, is vital to the business's success. Based on the democratic structure, businesses can choose the most appropriate way to evaluate their ideas and performances in order to achieve better innovation.

For further implementation, businesses can start doing internal research to develop an appropriate evaluation model to rank specific jobs. Different departments can have different models to evaluate their employees fairly. However, these strategies may only be applicable to large organizations such as MCC, which rely on a large scale of employees to reach and apply the method. It may not be necessary for small businesses as they can easily track their performance because of a small number

of people. However, there is still a need to determine how much their employees can participate in business decisions to improve their operations. Hence, it is quite difficult to determine how much 'freedom' the businesses want to provide for their employees to reach the balance point that can positively motivate them for better job performances and overall business operations. Also, building this evaluation model will require extra spending of money and time, so businesses should examine themselves for their investment returns on implementing this strategy.

4.2. Corporate Communication Strategies

In order to create corporate value in the business, the organization should also be able to create a highly tolerant organizational culture. This is because their employees have different characteristics than their employees. Moreover, business owners should also prepare to deal with some of the arising multicultural problems in their corporate values due to globalization, which is becoming increasingly popular. In addition, they should seek higher chances of innovation. Communication is essential to reach a balanced and effective corporate value. Managers and leaders must be capable of dealing with different communication problems and establishing common values, preventing potential conflicts within the organization. Recent research suggests that contemporary leaders should be skillful at utilizing diverse communication skills and negotiation models to resolve internal conflicts. They should also train their employees on communication strategies to help them understand each other in different roles. In addition to preventing conflicts between internal employees, effective communication can help innovate marketing and marketing strategies externally. Communicating effectively with others can drastically reduce stress in multi-collaboration work and significantly impact a person's work-life balance.

As long as the organization considers certain margin groups' characteristics when creating corporate values, there will always be a problem. The problems mentioned above cannot be easily resolved through communication. This is because people do not feel a sense of belonging to the organization. After all, they do not share the same values as the organization. In other words, there is a prerequisite for implementing this strategy. The HR department needs to select people with similar values in order to prevent potential issues in the future. During the recruitment stage, the HR team is required to select people who possess skills that match their job requirements. Rather than focusing on their academic excellence, they should focus on their values. Bringing people with similar characteristics to the organization will help managers establish common corporate values. The company still misses some potential innovative talent because they seek people with similar characteristics. In order to benefit from this strategy in the long run, businesses should also consider how to implement it. It is for this reason that it may not work for all types of businesses since it is not suited to all industries.

5. Conclusion

This paper describes how democratic organizational structures can motivate businesses' innovation in different situations. Increasing globalization and high-tech utilization drive the modern workforce toward remote work to improve work-life balance and live better, so collaborative democratization is highly encouraged. Under this working model, people are more likely to be motivated, especially after the pandemic period. This can help the organization achieve better innovation. This paper analyzes different cases to show two specific democratic strategies businesses can use for innovation promotion.

In order to ensure employees, feel engaged in the decision-making process and recognized for their ideas and performances in the organization, the company should encourage its employees to share their ideas and show respect for their unique perspectives. However, there should be a standard on how much extent to which the business should be democratic. This will need further research and time to set up. It is possible to cause an increase in disruption to operations by providing too many offers to their employees, which may not be necessary for some small businesses. As well as

enhancing employee motivation, preventing potential conflict between employees, and retaining them, building a corporate culture can improve their working efficiency. This can reduce the turnover rate. Focusing on its specific corporate culture allows a company to become more distinctive in the market and discover its own features. There are limitations to this strategy as it requires a high level of communication and negotiation strategy from managers and a pre-recruitment process from the HR department that considers the cultural values of the candidates before hiring them. In addition, some young talents with high academic performance may miss out on future innovation potential.

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