

# Corporate Innovation Culture and Dimensions of Project Portfolio Success: The Moderating Role of National Culture

Barbara N. Unger, Johannes Rank, Hans Georg Gemünden, Technische Universität Berlin, Berlin, Germany

## ■ ABSTRACT

### KEY WORDS

*Portfolio Management  
Corporate Innovation Culture  
Innovation*

This study examines the relationships between corporate innovation and national cultures on project portfolio success. Predictors for success have been identified from a sample of 165 cases from four countries. The findings suggest that corporate factors should be compatible with national culture to elevate the fit and balance of project portfolios.

## ■ THE PROBLEM

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Organizations need to operate each project in line with their strategy. But to effectively manage portfolios it is necessary not only to consider the corporate culture, but the national culture as well. Despite the importance of portfolio management, some contextual dimensions such as complexity and the role of cultures are typically neglected.

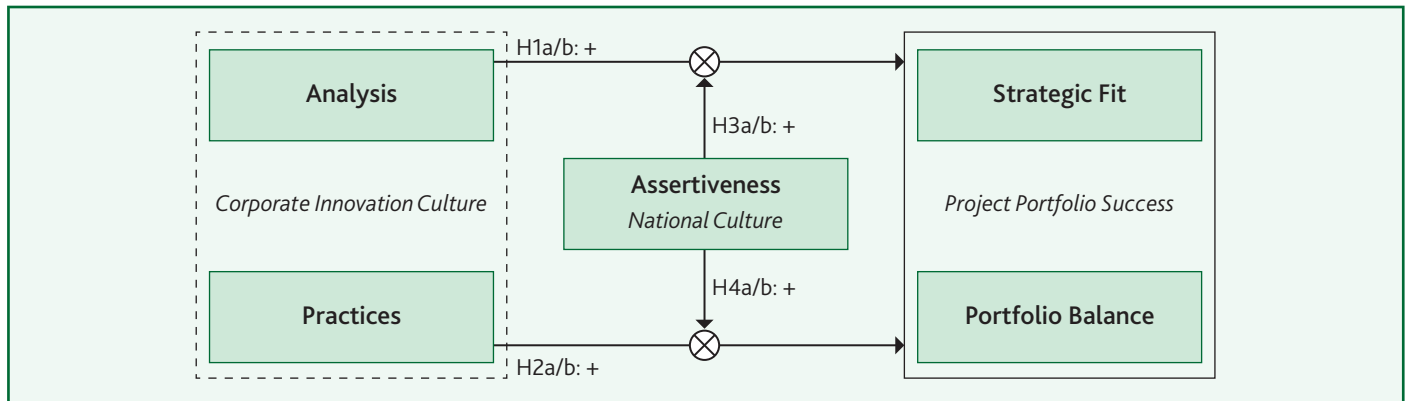
The purpose of this study is to assess the predictive role of organizational and national cultures on portfolio success. Three research gaps are addressed: a) culture-related predictors of project portfolio success; b) incorporation of organizational-level constructs from corporate culture models; and c) the simultaneous consideration of organizational variables and national culture in project portfolio management.

## ■ THE STUDY

Empirical data were collected via survey from 165 portfolios in Austria, Canada, Finland and South Korea. Various industries were represented in the final sample: information and communication technologies (22%), manufacturing (21%), financial services (14%), health sector and pharmaceuticals (9%), services (9%), consumer goods (9%), and others (19%). In terms of organizational size, 40% had fewer than 500 employees, 27% had between 500 and 2,000 employees, and 33% topped out with more than 2,000 employees.

## THE FRAMEWORK

The framework employed considers various levels and dimensions of culture and their impact on project portfolio management. Dimensions of national culture are used to explain the effects of corporate innovation culture on the dimensions of project portfolio success (Figure 1).



**Figure 1:** Framework on the relationships between corporate innovation culture, national cultural practices, and the dimensions of project portfolio success.

### ***Dimensions of Portfolio Success***

*Strategic fit* represents the degree to which the sum of single projects within a portfolio is aligned to and portrays an organization's corporate strategy. It includes the objectives of resource allocation to single projects in the portfolio, as well as the degree of alignment of single projects themselves with business strategy, and the extent to which the portfolio supports the implementation of corporate strategy.

*Portfolio balance* is concerned with a deliberate mix of projects in a given portfolio. The objective is to pursue a bundle of projects such that it provides the best value for the organization without exposing it to inappropriate risk.

### ***Dimensions of Corporate Innovation Culture***

*Analysis* encompasses aspects of corporate innovation culture related to analytical behaviors. Analysis refers to the overall problem solving posture of an organization and may be defined as "the firm's information generation and knowledge building capability to secure further competitive advantage".

*Practices* are organizational innovation activities such as championing programs and incentive-reward systems. Such practices involve the existence of senior management support for innovation champions advocating and driving new ideas as well as innovation endeavors. Moreover, innovation practices include monetary and non-monetary rewards to innovative employees as incentives.

### ***The Moderating Role of National Culture***

Culture is defined as the "collective programming of the mind" distinguishing one group of persons from another. A national-level cultural practice considered by the authors is assertiveness, defined as the degree to which individuals in a country tend to be confrontational and aggressive in social relationships. The authors expected the corporate dimensions to be more positively related to strategic fit and portfolio balance in countries that are high in assertiveness.

## ■ FINDINGS

*“The research shows that corporate innovation culture variables are positively related to strategic fit and portfolio balance. Consequently, these corporate dimensions may affect portfolio success.”*

The research shows that corporate innovation culture variables are positively related to strategic fit and portfolio balance. Consequently, these corporate dimensions may affect portfolio success.

A corporate mindset and strategic orientation that reflects process orientation in terms of information processing, delivery, and forecasting (i.e., analysis) should help managers make superior decisions related to project portfolio management.

A people-centric orientation by managers that emphasizes the championing of innovation—and incentives for doing so (i.e., practices)—may also be beneficial to achieving portfolio success.

The fact that both dimensions of corporate innovation culture emerged as significant positive predictors of project portfolio success demonstrates that these two dimensions represent relatively complementary predictors of project portfolio success.

The research also suggests that national culture practices, including assertiveness may have an impact on the relationship between corporate factors and project portfolio success.

Corporate factors such as analysis and practices should be compatible with national culture to elevate the fit and balance of project portfolios. From a practical perspective, it appears that in countries with low assertiveness, high degrees of analysis and practices may have less positive impact on strategic fit and portfolio balance. Therefore, in national contexts with high assertiveness, enhancing organization analysis and practices may be more appropriate to improve portfolio success.

The authors did acknowledge that their study is exploratory, cross-sectional and limited to the four countries included in their analysis. Therefore, future research including a greater number of national contexts is needed to draw more definitive conclusions. The study is an important first step demonstrating that both corporate culture and national culture may play a major role in project portfolio management.

## ■ FULL CITATION

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