

CHAPTER 1

1. INTRODUCTION

In this chapter, the background of the research project is presented, followed by the research problem. It also includes research questions, objectives of the study and the significance of the study. Hypotheses are also stated in this chapter.

1.1 Background of the study

Today, innovation has been found as one of the top agendas in both corporate and public organizations. Innovation capability is seemed as a key factor in attaining competitive advantage (Wang and Ahmed, 2004). Innovation is necessary for maintaining market share, enhancing product range, improving efficiency and reducing cost (Flynn *et al.* 2003).

In Malaysia, its importance has prompted the Prime Minister Datuk Seri Najib Tun Abd Razak to announce innovation as a part of the key national agenda. He sees innovation not limited to the field of science and technology alone but there are also innovation in management, education, healthcare, transport and social security network, innovation in the community, both in towns and villages, as

well as the corporate innovation, industrial innovation and branding innovation.

To show Malaysia's commitment to innovation, the Prime Minister has also announced that from 2010, the National Quality Day observed at all Ministries in the public sector, will be replaced by the National Innovation Day. According to him, any ministry or government agency that introduces creative and innovative solutions leading to improvements in terms of efficiency in management and the delivery system for the people, will be given suitable incentives and awards.

This effort should be supported because in Malaysia, although public service innovations and reforms have been quite comprehensive and generally, viewed favourably, they have so far produced positive but yet limited impact (Siddiquee, 2007).

Siddiquee believed innovations in the public sector should be continuously improved as Malaysia persists to suffer from a number of problems and challenges including high incidence of corruption, inefficiency, procedural complications or delays in service provision, and lack of professionalism.

Studies have also shown that organization climate plays an important role in nurturing and stimulating creativity so that innovation can be continuously created (Zdunczyk and Blenkinsopp;2007, Meriam,

2006; Martin and Terburg, 2003, Amabile *et.al* 1996). According to E.Miron *et.al* (2004), the employees' innovative performances depend on the organizational culture in which they operate. They pointed out that creative people implement their ideas and produce innovative products when they work in an environment that supports innovation.

From the literature review, especially in Malaysia, most of the studies on innovations have been associated with the private sector as firms realize that innovativeness is crucial in maintaining and increasing profits and thus to survive in a highly competitive global economy, it must be given due priority. In contrast, limited studies were conducted in the public sector because traditionally, people may believe that innovation in public service organisations has not been historically featured as a critical determinant of survival. However in the context of globalization, people realized that innovation is not only needed in the private sector but also in the public sector.

As an example, the ICT revolution has led the public sector to transform governmental operations, and improve efficiency and effectiveness in service provisions (Siddiquee, 2007). Siddiquee believed that governments are pushed to innovate their operations and service delivery system through the adoption of ICT. According to her, globalization has changed the world economic and political scenario and therefore nations have found themselves in extraordinary competition for trade and investment and other challenges. Today,

government agencies are not only regulators but also facilitators in facilitating the government to achieve successful economic growth.

Based on the above fact, therefore the current study examines the influence of organizational climate on the innovative behaviour of the public servants in a government agency and to determine which of the high predictive factors can be better predictor of innovative behaviour. This study also examines whether or not knowledge transfer and demographic variables have an influence on the relationship between organizational climate and innovative behaviour among public servants in a Malaysian Public Sector Agency.

1.2 Statement of problem

Innovation is crucial in both the government and public sectors. For the private sector, the primary motivators to innovate are to maintain or increase profits and thus to survive in a highly competitive global economy (Wang and Ahmed, 2004). There is a powerful incentive then for private enterprises to innovate to cut costs, improve market share, and create better value or quality products and services (Flynn *et al*, 2003) . Studies conducted in the area of innovation for the past decades have placed much-emphasis on the private sector, while less attention is given to the public sector. Even in Malaysia, evidently more research on innovation has been given to the SMEs sector (eg:

M. Zain Mohamed and Rickards, 1996) compared to the public sector (eg: Indra Devi, 2007, Ahmad Badrul Shah *et.al*, 2009)

However in the context of globalization, the public service needs to enhance its efficiency and effectiveness in meeting the citizens' demands (Siddiquee, 2007). Siddiquee said, often such response has been in the form of administrative reforms and innovations, therefore today public sector governance in general and its service delivery system in particular, have experienced wide variety of innovations all over the world.

Based on the above scenario, understanding the factors that enhance and stimulate innovation in the public sector is becoming more crucial and significant. For the purpose of this study, focus will be on the innovative behaviour among the public servants in the attempt to understand the innovative behaviour determining factors present in particular organizational climate factors. Innovative behaviour is crucial because it is a fundamental factor that underlines innovative outcomes (Wang and Ahmed, 2004).

Organizational climate factors are chosen for this study because based on previous studies, evidences have shown that these factors are crucial in determining innovative behaviour (Amabile *et.al* 1996; Scot and Bruce, 1996).

Realizing this, the study is expected to add new information to the established framework in relation to organizational climate and innovative behaviour among the public servants, especially in Malaysia.

1.3 Research questions

The following research questions are guiding the study:-

- What is the relationship between Organizational Climate and innovative behaviour among the public servants in a Malaysian Public Sector Agency?
- What are the determinants of Organizational Climate which influence innovative behaviour among the public servants in a Malaysian Public Sector Agency?
- Do demographic factors moderate the relationship between Organizational Climate and innovative behaviour?
- Does knowledge transfer mediate the relationship between organizational climate and innovative behaviour?

1.4 General objective of the study

The overall objective of this research is to contribute to our understanding about the relationship between organizational climate and innovative behaviour among the public servants in a Malaysian

Public Sector Agency and other factors like demographic factors and knowledge transfer that may influence this relationship.

1.5 Specific objectives of the study:-

- To examine the relationship between stimulant scales and innovative behaviour in a Malaysian Public Sector Agency.
- To identify the determinants that can stimulate innovative behaviour among the public servants in a Malaysian Public Sector Agency.
- To examine the relationship between obstacle scales and innovative behaviour in a Malaysian Public Sector Agency.
- To identify the determinants that can undermine innovative behaviour among the public servants in a Malaysian Public Sector Agency.
- To identify the factors that can moderate and mediate the relationship between organizational climate and innovative behaviour respectively among the public servants in a Malaysian Public Sector Agency.

1.6 Hypotheses

- H1: Stimulant Scales have a positive relationship with innovative behaviour.

- H2: Obstacle Scales have a negative relationship with innovative behaviour.
- H3: Knowledge Transfer mediates the relationship between organizational climate and innovative behaviour.
- H4a: Age has a moderating effect on the relationship between organizational climate and innovative behaviour.
- H4b: Working experience has a moderating effect on the relationship between organizational climate and innovative behaviour.
- H4c: Level of education has a moderating effect on the relationship between organizational climate and innovative behaviour

1.7 Significance of the study

The results of this study will be meaningful and useful in the management efforts to support innovative behaviour among the public servants in Malaysia. The information gathered from this study can help the Malaysian Government to assess the characteristics of the organizational context that can impede or support innovative behaviour among the public servants. This report can help the management to identify the right support and thus, plan suitable intervention programmes.

This study adds important information to our understanding about the influence of organizational climate on innovative behaviour. It contributes to a better understanding about the role of knowledge transfer and demographic factors in influencing the relationship between organizational climate and innovative behaviour.

In addition, knowing status of the organizational climate will help the organization to identify the areas which need improvement. Therefore, it can help management to focus and allocate sufficient resources in supporting innovative behaviour. The management can better understand the role of organizational encouragement, supervisory support, teamwork, freedom, challenging work and resources through this research.