Chapter 5: Conclusion and Recommendations

Introduction

A number of studies about relationships between organizational culture and innovation have been discussed in Western countries, but relatively little literature about this issue has been examined in Asian countries, or even in Malaysian context. In consequence this quantitative, explanatory, and causal-comparative study was to examine and explain the relationships between different types of organizational culture and innovation of employees in Malaysia. In this study, a total of 2 research questions and six hypotheses were developed and examined.

In this study, six cultural dimensions - empowerment, team orientation, capability development, creating change, customer focus and organizational learning were selected to investigate the relationship with innovation of the organization. These six dimensions were measured by five items for each (Denison, 1995) and innovation was measured by a 12-indicator innovation scale (Johannessen et al., 2001).

550 questionnaires were sent out via email and in-person paper administration, 261 questionnaires were received, and twelve questionnaires were incomplete. Therefore the response rate was 47.5% and the total respondents for this study were 249.

Discussion

The following section discusses the findings from the major hypothesis testing as presented in Table 5-1.

Table 5-1

Summary Results of Hypotheses Testing

Hypothesis	Description	Results
H1	There is a significant correlation between empowerment and organizational innovation.	Rejected
H2	There is a significant correlation between team orientation and organizational innovation.	Rejected
H3	There is a significant correlation between capability development and organizational innovation.	Rejected
H4	There is a significant correlation between creating change and organizational innovation.	Supported
H5	There is a significant correlation between customer focus and organizational innovation.	Rejected
H6	There is a significant correlation between organizational learning and organizational innovation.	Rejected

Discussions

Among the findings of this study, all were related to independent variables – empowerment, team orientation, capability development, creating change, customer focus, organizational learning and dependent variable – innovation. Our statistical results provided a partial support for the relationship of organizational culture and innovation of employees in Malaysia. .

The weak correlation between organizational culture and innovation was unexpected. There are no significant relationships between empowerment, team orientation, customer focus, capability development, organizational learning and innovation. However there is a significant relationship between creating change and innovation. Thus, these results did not support earlier studies, which found organizational culture to be positively associated with innovation (Ashley and Bryan, 2009). One possible explanation for this finding is that for the study which examined relationship between organizational culture and innovation was mainly conducted in Western countries.

Shane (1993) connected cultural norms to levels of innovation in countries on the premise that innovation predicts economic development. Asian societies do not show similar regard for innovation. Perhaps owing to their emphasis on harmony, threats to existing social structures are not highly valued (Redding and Ng, 1982). Rather, the value placed on work has been used to explain the rapid development of Asian economies. In this view, the shared Confucian heritage of Japan, Korea, China, and Singapore encourages diligence and perseverance (Redding, 1993; Rohwer, 1995). Further, growing affluence until recently in developing economies such as Thailand, Indonesia,

and Malaysia reinforced the material benefits derived from hard work (Schlossstein, 1991). The culture-level value placed on work related negatively to feasibility in East Asia. Efforts to increase innovation in East Asian countries such as Japan, Taiwan, and Singapore have targeted rote memorization in education as stifling creativity(Begley & Tan, 2001), which Malaysia is also facing the same struggles.

From socio-demographic, the percentage for multinational companies (MNCs) was merely 33.7%, whereas 66.3% of the respondents were attached to locally-owned organizations. One can anticipate that foreign-owned organizations, especially Western MNCs are generally more aggressive in developing innovation as opposed to locally-owned companies. Combining these companies in the statistically analysis may have confounded the results leading to an insignificant finding.

Western MNCs are superior to Asian companies in product and process innovation and technological development (Yeung 1997). Western MNCs have been more innovative, transferred more technologies to local firms, and have made greater commitments to quality control and adapting technology to suit the needs of local consumers (Luo, 1998). Local companies, by contrast, generally make fewer commitments of product and market development in the local market and tend to produce more labor-intensive products.

72.7% of the respondents were having supporting and functional roles in the organization, such as in the area of general management, IT / technical / production, human resources, accounting / finance and legal / compliance, compare with sales / marketing / customer service, which were only 27.3%.

Normally in a local context innovation does not apply much to the functional roles. This could explain the weak correlations found.

There were 28.9% from service industry and 16.9% from manufacturing industry which would expect have a higher level of innovation. However due to the recent global financial crisis, these firms were more likely to use tight controls, minimize overhead, and pursue economies of scale. Therefore, when firms enforce tight cost control mechanisms, innovation particularly in terms of new products are likely to suffer. Under these circumstances, process innovation which takes a rather long time is likely to be reduced.

There were 31.3% respondents working for their organization less than two years, and 68.7% respondents working more than two years. The longer an employee works for a company, the greater resistance he or she may have to change in the status quo that implicitly alters the psychological contract (Kolb et al., 1984). Also, a study on attitudes toward one popular innovation, quality circles, found that senior employees had less favorable attitudes than junior ones, in part, because they had less of a stake in supporting changes that affected the organization's future (Bocialetti, 1987).

It is also shown the relationship between team orientation as well as capability development and innovation is negative. This is inconsistent with the previous finding (Hage & Aiken, 1967). This may be explained as in the local context, organization innovation is driven by hierarchical decision of authority rather than team decision. Most of the local organizations stress control on internal functions with specified policies and procedures to which must be adhered.

Local organizations may have known intuitively that their future lies in the strength of capability development, and that these have inherent value. However, few have placed the same amount of attention to understanding and tracking these resources as they do consistently and regularly in the tracking of financial and physical assets. It is also likely the innovation within the organization was added value by the same old group of talent without developing new talent or increasing their capability development. It may come to a stage people become static, doing what they did yesterday, with the same level of competence. They can add value to the business day by day, but it may be (on average) the same value. Or people can be incrementally different each day, as they learn, innovate and contribute more progressively increasing their ability to increase added value and to contribute at a higher and/or different level in the future.

From the finding, it is shown significant correlation between creating change and innovation. Many managers and employees have experienced the struggles, successes, failure, and frustrations that go along with changing the way business is done. Innovations involving production quality, customer service, reengineering, right-sizing, culture, and teamwork follow a regular pattern: introductory fanfare, followed by tough times of implementation, ending with something less than complete success, just in time for the next major change to begin (Kotter & Heskette, 1992). The level of enthusiasm for new initiatives varies from person to person and from hierarchical level to hierarchical level. Those at the top may view changes as interesting challenges or as appropriate and timely responses to changing competitive conditions. Those lower down may view them as necessary evils or as the

incomprehensible actions of a top management group out of touch with day-today operations.

Changes in hierarchy, technology, communication networks, and so forth are effective only to the degree that these structural changes are associated with changes in the psychology of employees. But it was the thousands, if not millions, of specific changes in the organization's everyday policies, practices, procedures, and routines that altered the psychology and thus permitted the kind of changes that appear to have actually taken hold. Changing the culture is important to changing what an organization's members believe and what they believe their organization values. These beliefs and values constitute the organization's culture.

Dimension of Creating Change falls under the category of adaptability. Highly adaptive organizations take the demands of their external environment into account and, in turn, create change, take risks, and learn from their mistakes to respond to those demands. Newly created norms and beliefs allow the organization to receive and then translate input from its environment, internally, thus improving the likelihood it will survive and grow. This places the organization in a better position where it can continually respond to and meet the demands of its customers, which is part of innovation. Denison and Mishra (1995) state that "organizations that are strong in adaptability usually experience sales growth and increased market share"

Summary and Conclusion

In summary, it can be concluded that for this particular study, creating change contributed significantly towards organizational innovation and may be

served as a good reference for the organizations in Malaysia. Despite the fact that the proposed framework was partially validated, the study has serviced to provide empirical evidence for the importance of organizational culture in predicting innovation.

Limitations of the study

The study has several limitations. It was limited to six culture variables; the relationship of organizational culture and innovation may not be fully explored and explained. Additionally, culture data were gathered for the study through respondents' self-assessments. Assessments were provided by one person in the organization. The culture literature, however, suggested using more than one respondent as a basis for discussing organizational culture (Cameron and Quinn, 1999). Lastly, due to having 49 items in the questionnaire and similarity in the content between items, respondents may be confused and lose their patience.

Suggestions for Future Research

Beyond the limitations and scope of this research, several opportunities for research exist.

Future studies examining organizational culture should include multiple participants representative of the critical positions in the organizations. Inclusion of department heads, directors, presidents and various vice presidents will enhance the efforts to obtain a meaningful assessment of organizational culture.

Lastly, opportunities exist for understand the effect of other cultural types. It is worthwhile to include other culture types in future studies to further explore the influence of other cultures have on organizational innovation. It is also valuable to take local concerns or constraints into consideration when developing the questionnaire.

Implications

As was established in the introduction to this article, many organizations can benefit from creating and sustaining a culture that supports innovation. Some of the elements of an organizational culture that support innovation may be enhanced through different initiatives.

In Malaysia, due to lack of research, the nature of organizational culture and its relationship to innovation is not clearly understood by leaders. From the organization development practitioners' point of view, it has been extremely difficult to overcome their organizations' resistance to change, especially when the focus of the change involves something as unfamiliar as organizational culture.

As such, this study makes a contribution to the research by applying a culture model and survey to better understand culture's relationship to innovation.

This study helps managers not only to understand the culture of their organizations, to lead them to enact clear and effective strategies, and to improve their ability to innovate, but also to further strengthen their successful competitiveness in their market.