Organizational Culture And Its Effect On Organizational Innovativeness In Malaysian Higher Education Institution

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Abstract
The natural selection of today’s higher education Institutions (HEI) depends on how these institutions adapt to change, better practices and competitiveness. One important area these organisations need to pay attention to is organizational culture, which can create a supportive environment where innovation can flourish and be competitive. Thus, this work proposes to look into the relationship between organizational culture and organizational innovativeness. A scientific research gap has been searched, through an intensive assessment of a previous study, in the literature on the relationship between organizational culture and organizational innovativeness. Afterwards, based on dynamic capabilities theory, this work seeks to fill gap between constructs for competitive advantage. A conceptual framework has been aimed in this research field, as considerably as a contribution towards the enhancement of the related literature.

Problem Statement
Organizations today have a fierce competition. This challenging environment accelerates the life cycle of the organization, and the organization should prepare themselves before they can start to compete and overcome their rivals. Therefore, how organizations gain competitive advantage and create profit becomes increasingly important.

Higher education institutions are also involved in raising the reputation and has a complex role. The launch of the National Higher Education Strategic Plan (NHESP) by the former Prime Minister in 2007, started the transformation of HEIs. It was the start of a process towards greater transformation in higher education (Khaled, 2008). The main objective of the transformation of higher education is to improve the performance of higher education institutions in Malaysia, to the ‘world class’ institution (Khaled, 2008). This transformation requires an emphasis on competitiveness, creativity, and innovation. Basically, NHESP outlines aspects to change the quality of human capital in higher education with a focus on all the attributes necessary to determine a first class mentality.

Changes in internal and external environments of organizations indicate trends, challenges members in institutions of higher learning. However, the development of corporate culture in higher education institutions have built administrators and academics to act as entrepreneurs and promote their research, in a variety of services and expertise(Hussein et al., 2014).
Contextually, there is an important role in the persistence of innovation in the innovativeness and development organization (Nonaka and Takeuchi, 1995; Subramanian and Nilakanta, 1996; Tiono and Ahmad, 2006). Innovation can be considered as a determinant of development, while the quality could be a decisive advantage. Both, innovation and quality that can be seen as the determining the market (Cho and Buick, 2005, Hult et al., 2004, Wang and Ahmed, 2004).

Innovation is one of the most influential determinants of organization’s long term success because of its function in assisting the organization to deal with the turbulence of external environment (Baker and Sinkula, 2002; Hult et al., 2004; Montes et al., 2005, Hussein et al., 2014). Innovation may have a number of types including product or process innovation, radical or incremental innovation, administrative or technological innovation, etc. (Utterback, 1994; Cooper, 1998; Zaltman et al., 1973). A number of authors have focused on the meaning of different proportions. For instance, Capon et al. (1992) took on three dimensions of organizational innovativeness (OI) including market innovativeness, strategic tendency to pioneer, and technological sophistication. Likewise, Miller and Friesen (1983) concentrated on four dimensions of innovativeness including new product or service innovation, methods of production or rendering of services, risk taking by key executives, and seeking unusual and new results. Moreover, Schumpeter (1934) proposed a number of likely innovative alternatives such as preparing new merchandise or services, developing new methods of production, identifying new markets, finding new sources of supply, and developing new organizational patterns. Based on different subjects, Wang and Ahmed (2004) has identified five principal countries which grow an organization’s overall innovativeness. These five main areas include product innovativeness, market innovativeness, process innovativeness, behavioural innovativeness, and strategic innovativeness.

At the same time, organizations usually pay attention to an integral factor, for example, organizational culture to grow and sustain innovation friendly environment. Organizational culture (OC) can be seen as an appropriate concept to discuss the influence of several human factors on innovation because of its relationship with values, beliefs and work arrangements that encourage creativity. OC may also act as a mutual frame of reference for fluctuations in the organization making it an integral aspect for successful implementation of changes in the system, structure or process to support employee creativity (Skerlavaj et al., 2010, S. Yesil, 2012, Valencia et al. 2010, Valencia et al. 2011, Sanz- Valle, 2011).

Some scholars have discussed the importance of innovation and cultural ties that limited number of studies. For example, McLean (2005) conducted a literature review and noted that "the existing literature exploring the relationship between organizational culture or climate and creativity or innovation was limited and the literature on organizational culture and creativity and innovation is not extensive".

As per literature related to growth assumptions of stock prices, during new product growth, strong cultures are not only ranked higher, but likewise are expected to grow more in the time to come. On the reverse, a balanced culture can aid the organization in innovativeness (Ashley and Bryan, 2009). A few students have also notified the qualities of adaptability and involvement as integral to perform and implement which can result in innovation (Denison, 1990; Denison and Mishra, 1995; Kotter and Heskett, 1992; Sorenson, 2002). However, in contrast to Yrigoyen’s (2011) arguments, organizational culture and innovation strategy are not necessarily to be significant for innovativeness of a firm in the context of traditional micro and small enterprise.

A few scholars including Valencia et al., (2010) suggested use of organizational culture model of Cameron and Quinn (1999) to study organizational culture (OC) and organizational innovativeness (OI). Hence, an empirical study discussing the connection between OC and OI may serve as a substantial contribution to the literature. This work is accepted in a developing rural area which also is anticipated to raise the understanding of OC and OI from a dissimilar view.

This research proposes to test the association between OC and OI where the former will be studied by referring to Competing Values Framework (CVF) Model which is a well-proven theory for discussing the central qualities of organizational culture as important determinants of improved organizational performance (Rahul Raj, 2013, Deshpande et al., 1993; Valencia et al. 2011; Sanz- Valle, 2011). Identifying and applying parts of culture that may have a positive impact on innovation is relevant for developing an improved understanding of organizational culture across all contexts.

According to some previous studies on the importance of OC and OI, and saw a gap that needs to be filled, therefore, the focus of this study is to explore the relationship between organizational culture and organizational innovativeness in higher education institutions (HEI) in Malaysia.
Organizational Innovativeness

Many alternative models and conceptualizations for the analysis of observed data have been provided by the growth of innovation literature. Consequently, an innovation can be a novel service or product, a new administrative organization or structure, a new production process technology, or a new plan or program relating to organizational members. Hence, innovativeness, or OI, is usually measured by the level of the acceptance of innovations, even though other measures have been used by a few studies (Damanpour, 1991; Hilmi et al, 2010). It is crucial to realize the types of innovation and their features because a specific type of innovation requires unique and sophisticated responses from an organization (Lam A., 2010; Wang & Ahmed, 2004, Hilmi et al., 2010). Researchers have produced a typology of innovation in different ways. In the innovation literature, either there was a similar name used for different inventions or the same innovation categorized into different typologies (Garcia & Calantone, 2002). Although previous innovation studies suggested several typologies of innovations, the most prominent case of innovation comprises the following categories: technological versus administrative innovation, incremental versus radical innovation, and product versus process innovation (Cooper, 1988).

Organizational innovativeness (OI) describes an organization’s acceptance and implementation of new ideas, processes, products, or services and propensity to change through adopting new technologies, resources, skills, and administrative systems (Hurley, Hult, & Knight, 2005). An organization’s innovative orientation has been shown to influence its ability to satisfy customers’ requirements, meet growing consumer expectations, and respond to rapidly changing environments (O’Reagan, Ghobadian, & Sims, 2006). While OI includes an organization’s capacity to be innovative and to produce innovative offerings (Ozer, 2006), it is founded upon the innovative behaviors of individual organization members. Besides organizational benefits, an OI has been shown to strongly improve employees’ job attitudes, job satisfaction, and organizational commitment (Zhou, Gao, Yang, & Zhou, 2005) as well as encourage the establishment of personal innovativeness. In this regard, an innovative orientation shares many of the same characteristics as a learning organization (Senge, 1994).

Organizational innovativeness is related to various factors, and thus is influenced by internal and external factors that are different (Bullinger et al. 2007; Egbetokun et al. 2007). While innovation is a complex concept, the research also identified five key areas that affect the organization's ability to innovate. The effect is related to leadership, opportunistic behavior, culture and change, learning and networking and relationship building. As per literature highlighted, the study suggests that organizational culture as an important factor affecting organizational innovation.

Organizational Culture

The concept of organizational culture (OC) has been defined by a number of scholars leading to a missing universally accepted definition (Rollinson and Broadfield, 2002). For instance, Deal and Kennedy (1982) defined OC as “the way things get done around here”. Moreover, Schein (1985) perceived OC as “a pattern of basic assumptions values, and norm which invented, discovered or developed by a given group as it learns to cope with its problems of external adaptation and internal integration.” In addition, Park et al., (2004) defined it as “the shared, basic assumptions that an organization learns while coping with the environment and solving problems of external adaptation and internal integration that are taught to new members as the correct way to solve those problems”. OC influences all the processes and outcomes related to individuals and the overall organization which enhances its significance.

Ball and Quinn (2001) defined OC as “an organization’s values, beliefs, practices, rites, rituals, and stories, and all of which combine to make an organization unique”. The shared beliefs, expectations, norms and values of employees in an organization develops it corporate culture. Despite the lack of universal definition, many agree to the definition of OC proposed by Abu-Jarad et al., (2010). They defined it as “something that is holistic, historically determined (by founders or leaders), related to things anthropologists study (like rituals and symbols), socially constructed (created and preserved by the group of people who together form the organization), soft, and difficult to change”.

Organizational culture has been categorised in various ways. For instance, Cameron and Quinn (1999) developed their ‘Competing Values Framework Model’ which has been used by a number of studies conducted on the subject of OC (Obenchain and Johnson, 2004; Stock et al., 2007; Valencia et al., 2010). Their model includes four different types of OC including adhocracy, clan, market and hierarchy.
Organizational culture also have various consequences for the employees and organisations. For instance, it has significant impact on employee behaviour, learning and development (Shu, 2014; Saeed and Hassan, 2000), creativity and innovation (Ahmed, 1998; Martins and Terblanche, 2003), knowledge management (Liao et al., 2012; Tseng, 2010), performance (Han et al., 1998; Kim et al., 2004; Oparanna, 2010; Saeed and Hassan, 2000; Tseng, 2010; Zain et al., 2009). There is a large amount of literature that discusses the effect of organizational culture on different outcomes, however, impact of organizational culture on innovation is relatively limited (McLean, 2005; Vincent et al., 2004). It serves as the base of this study where it is argued that organizational culture affects organizational innovativeness of the firms.

Organizational Culture and Organizational Innovativeness

The culture of the organisation is what sets them apart from different organisations; therefore the organisation can position itself in the environment through its culture. However one of the most used definition of organizational culture which identifies the role of culture and how culture plays its part in the success of the organisations activities, was stated by Schein (2004) who noted that organizational culture (OC) is "A pattern of basic assumptions that the group learned as it solved its problems of external adaptation and integration that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems”.

Organizational culture can also be defined as a form of shared values, routines, norms and objectives shared by the employees of the organization. Therefore, OC is created on a foundation of communication, socializing and common trust and understanding. Furnham and Gunter(1993) reviewed the basic functions of how OC can be incorporated as internal integration which can be formed through socializing between members of the organization and creating a community of trust and identity within personnel and commitment to the organization.

Literature discusses the importance of OC in most of the use of innovation (To and Wei, 2008) which makes consensus that organizational culture is important in any shift in the organization. However, there are no studies on the type of OC that supports business innovation and transformation (Skerlavaj et al., 2010), except for a few recent studies that examine a range of issues only (e.g. Kandemir and Hult, 2005; Martins and Terblanche, 2003; Merx-Chermi and Nijhof, 2005; Sarros et al., 2008).

Darroch (2005) and Kotter (2008) identified that the culture that is appropriate for organizations pursuing long-term innovation, is in need of adjustment in a viable environment, culture is also a culture of learning that foster and promote innovation. In the process of innovation, Muffatto (1998) suggest that the establishment and professional knowledge regarding innovative climate and competencies required to assist the activities of innovation.

In addition, Tseng (2010) pointed out that organizational culture is an important block in order to generate “knowledge-friendly culture”, which brings positive results to improve organizational performance and innovation. In addition, he highlighted the fact that the characteristics of the organizational culture as a common culture, beliefs and ideas that much productive work has important contributions in the application of effective knowledge management. A positive relationship is examined by Liao et al. (2012) and Sanz - Valle (2011) between organizational innovation and cultural organizations and associations of impacts on competitive advantage. Other scholars such as Cernzze, et al. (2012) and Muffatto (1998) also suggested that to support the innovative culture, it is significant to have innovative climate and associated professional knowledge. Chang and Lee (2007) also stated that innovative and supportive culture significantly effects administrative and technical innovation.

Dynamic Capabilities Theory

Dynamic capabilities theory explains how organisations acquire and deploy resources according to the market environment to achieve superior organizational functioning and success (Teece et al., 1997). Dynamic capabilities as proposed theory in this framework, are what HEI need to concentrate on the main competencies and how the purpose of management builds, changes and adapts to the changing forces that could bear on the competencies and how these the HEI's capabilities can operate round the changing elements of the business environment. It is also provides the fundamental organizational processes that facilitate HEI to be advanced within the whole system. Organizations fail to sustain their business and performance through the changing market and technologies. Organizations need to maintain their competitive advantage, therefore, they would
have to make do, influence and adjust their competencies and assets in society to reach and maintain their competitive advantage (Wang and Ahmed, 2007).

Culture can affect different aspects of the organization’s dynamic capabilities such as its innovation, employee’s involvement, its openness to change, teamwork, morale, customer service and trust. Culture creates the basis for the company’s employees; it is also created by staff not company itself. The organization will only provide objective, mission and goals, but the workers will develop the culture and how to manage and achieve the objectives. Organizational culture plays a big role in the company’s strategic direction, goals, tasks, decisions, communication and cooperation. Some organizations will form their OC based on creativity and innovation to ensure their sustainability. However, OC affects the ability to increase innovation dynamics that influence the behavior or structure of a firm (Wang and Ahmed, 2007).

In order for the organization to achieve a sustainable OC, management should generate values that encourage creativity for example, encouraging staff to come forward with new ideas and not to be afraid of stepping up to different tasks. Introducing a more open communication policy allows the employees to feel comfortable with one another while sharing their ideas, knowledge and opinions in order to gain new views and outlooks, this supports the idea of creating a creative and innovative based culture.

THEORETICAL FRAMEWORK

A thorough critique of literature about the characteristics of OC and its dimensions support the feelings that each dimension of organizational culture can impact the innovativeness of organizations. Literature presents a readable perspective of these proportions and their connection with OI. This study considers four dimensions of organizational culture including clan, adhocracy, market and hierarchy. As per Cameron (2004), clan culture is ‘a friendly place with an extended family working together’. It is characterized with loyalty, team spirit, commitment, tradition, collaboration, teamwork, participation, and consensus, individual development (Cameron, 2004; Cameron and Quinn, 2006; Tseng, 2010). Adhocracy culture is based on a dynamic, entrepreneurial, innovative and creative workplace (Cameron, 2004; Cameron and Quinn, 2006; Tseng, 2010). It concentrates on the maturation of new product and services, growth, change, and experimentation (Cameron, 2004; Cameron and Quinn, 2006; Tseng, 2010). The third dimension is market culture which is regarded as a results-oriented workplace with emphasis on winning, outpacing the competition, escalating share price, and market leadership (Cameron, 2004; Cameron and Quinn, 2006). The final dimension is hierarchy culture which is categorized with a formalized and structured place along with procedures, well-defined processes and a smooth-running organization (Cameron, 2004). It is contended that these features may influence OI of the firms (Cameron, 2004; Tseng, 2010). Therefore, a logical and reasonable hypothesis derived from these theoretical and empirical studies would be as follows;

**H1:** Clan culture dimension of organizational culture is positively related to organizational innovativeness of the firms

**H2:** Adhocracy culture dimension of organizational culture positively influences organizational innovativeness of the firms

**H3:** Market culture dimension of organizational culture positively affects organizational innovativeness of the firms

**H4:** Hierarchy culture dimension of organizational culture has negative association with organizational innovativeness of the firms

Based on the literature reviewed the theoretical framework shown in figure 1 is proposed.
CONCLUSION

This work discussed the meaning of organizational culture (OC) and organizational innovativeness (OI). Therefore, it has shown contribution to the literature by proposing a conceptual framework based on the dynamic capabilities theory. The framework proposes the direct effect of organizational culture (consisting clan culture, adhocracy culture, market culture, and hierarchy culture) on organizational innovativeness (consisting product innovation, market innovation, behavioral innovation, and strategic innovation). Nevertheless, this conceptual framework is still grounded on an intensive literature review and has not been empirically tested which is a future research opportunity. Nevertheless, this survey can serve as a foundation for future research to analyze the significant factors towards enhanced innovation and competitive advantage.

REFERENCES


