

‘The Effect of Organizational Innovation and Organizational Culture on the Market Performance of SMES in Pakistan’

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I. INTRODUCTION

All the organizations try the best for the improvement of performance and culture of the organization is one of the most important driver for the betterment of firm's performance. Previous studies has focused on performance of the firm in term of organizational productivity, employees' job satisfaction, and employees turnover rate that are significantly being affected by organizational culture. On the same time, innovation is found to have positive impact on the firm's performance, nation's overall economic climate, industry competitiveness and the standard of living of the nation. Innovations are important competitive instrument for long term organizations' objectives accomplishment/ performance improvement and success. It is also considered most important source of gaining competitive edge through bringing changes in the technology, work environment as well support for proper implementation of organization's initiative change. Both organizational culture and innovation has greater importance and playing major role for the firm performance. Several studies conducted on the culture, innovations relationship but that focuses job satisfaction, employees turnover and productivity. In others studies researchers focuses on organizational culture with innovation, product innovation, market innovation and check these factors impact on the market performance of the firm. there are just a couple of studies which have particularly displayed and observationally researched the idea of relationship between organizational innovation its culture, and organizational performance (Martins and Terblanche, 2003).

The research done here, has given importance to explore relationship of organizational culture and organizational innovation and its impact on organization's performance. Probably, this will help a lot to understand the environment of the organizatios, culture and further more helps to understand mechanism to the development of innovative ideas, structure and various innovation adaptation in organization.

First objective of this study is to highlight the importance of innovative organizational culture that has key role in firm performance because it is consider to helpful in developing

firm's procedures, organization's competencies, make these as a whole to provide solution for various problems and challenges faced by firm due to organizational complexities. Each organization is different, and every one of them have an different culture to arrange groups of individuals. However few individuals realize that each organization really joins a mix of four distinct sorts of organizational culture under one driving cultural style, stated by a business research professor (Robert E. Quinn and Kim S. Cameron at the University of Michigan).

The second objective of the research is to explore the organizational Innovations and its various types that have a great impact on performance of the organizations. organizations adopt advancement because of changes in technological and administrative information, industry rivalry, constituents' desire, or best administrators' goal to pick up distinctive skills and enhance the level of output of firm. The adoption of innovation is a methods for organizational adjustment and change to encourage accomplishing the company's performance objectives, particularly under the states of extreme rivalry, quickly changing market, rare assets, and client and public interest for higher quality and better product and services. (Boyne et al., 2003; Jansen et al., 2006; Roberts and Amit; 2003)

In more broad terms, it is the inventiveness or organizational development of the firm that may go before actual products or process innovations. (Damanpour & Aravind 2012: 429) refers to organizational innovation as "new methodologies in learning for performing crafted by administration and new procedures that create changes in the organization's technique, structure, managerial methodology, and frameworks."

II. LITERATURE REVIEW OF THE STUDY AND HYPOTHESIS

This study has discussed the in the literature review about the previous efforts done on this topic by others researchers, about variables that are being discussed in present study and their exploration with typologies and dimensions, factors

linkage with the dependent variables and development of hypothesis and developing the conceptual model for this research paper are mentioned.

2.1 Organizational culture

Organizational culture represent to the combined values, convictions and standards of organizational individuals and is a result of such factors as history, product, market, innovation, procedure, kind of workers, administration style, and national culture; culture incorporates the organization's vision, values, standards, frameworks, symbols, dialect, presumptions, location, environment, convictions, and habits. (Needle, David (2004)). Organizational culture is an arrangement of shared assumption, beliefs, and values, which represents how individuals carry on in organization. These mutual esteems impact the general population in the association and direct how they dress, act, and play out their occupations. Each association creates and keeps up a novel culture, which gives rules and limits to the conduct of the individuals from the organization. How about we investigate what components make up an organizational culture.

Typologies in the organizational culture

The Clan Culture: This culture is established in joint effort. Individuals share shared traits and see themselves are a piece of one major family who are dynamic and included. Initiative appears as mentorship, and the organization is bound by duties and customs. The primary esteems are established in collaboration, correspondence and agreement. To construct the brand, founder paying attention on building polite relationships with workers, clients, suppliers and the surroundings itself.

The Adhocracy Culture: This culture depends on strength and creativity. Employees are motivated to go for risk, and pioneers are viewed as innovator or business people. The association is held together by experimentation, with highlighting on individual resourcefulness and flexibility. The center values depend on change and quickness. Facebook can be seen as aideal adhocracy organization, based on CEO Mark Zuckerberg'swell-known admonition to, "Move fast and break things – unless you are breaking stuff, you are not moving fast as much as necessary."

The Market Culture: This culture is based upon the progression of rivalry and accomplishing solid outcomes. The concentration is objective oriented, with leader who are challenging and demanding. The organization is joined by a shared objective to succeed and beat all opponents. The fundamental value driver are market shares and productivity. General Electric under ex-CEO Jack Welch is a good example of this culture. Welch vowed that every G.E. business unit must rank first or second in its respective market or face being sold off.

The Hierarchy Culture: This culture is established on structure and control. The workplace is formal, with strict institutional strategies set up for direction. Authority depends

on sorted out coordination and checking, with a culture underscoring efficiency and p. The values incorporate consistency and standardization. consider of stereotypical huge, bureaucratic organizations such as the military.

Institutional economic theory proposes that an organization's center values help to shape its individuals' preference designs and in doing as such may influence economic decision making and execution in many of ways. (Carrillo & Gromb, 1999; Hodgson, 1996; Kreps,1990; Smith, Mannion, & Goddard, 2003)

Firstly, culture may affect upon productivity, by means of installing shared qualities, convictions and standards inside the organization, which thusly help shape the manners by which organizational individuals associate and connect with each other. Particular culture values might be pretty much helpful (for instance): successful basic leadership; reporting, reacting to and gaining from mistakes; group based working; and between departmental cooperative energies and creativity.

Second, culture may impact the need according to value consideration inside organizational procedure, for instance by advancing shared ethical standards of securing vulnerable customers, and setting up courses of action that right for purely effectiveness-seeking conduct or behavior.

Third, culture may impact the overall financial and social destinations that an organization seeks after. In this manner, the corporate culture might be concern for workers and the nature of their working lives and such contemplations may alleviate the significance of profit boost or other monetary objectives in the organization's target function.

At last, where cooperation and deal between parties is difficult and hard to screen, corporate culture may energize cooperation and relationship working among operators (intra- and between organization cluster working).

2.2 Organizational Innovation

organizational innovation implies the execution of new organizational techniques in the endeavor's business practices, work environment association or outside relations. Changes in business practices, working environment association or outer relations that depend on organizational techniques as of now being used in the endeavor, changes in administration system, mergers and acquisitions, stopping to utilize a procedure, basic capital substitution or augmentation, changes coming about absolutely from changes in factor prices, customization, consistent seasonal and other patterned changes, exchanging of new or significantly enhanced products are not thought as innovation" ('Community framework for state aid for research and development and innovation' (2006/C 323/01)

According to (Lumpkin, Dess:1996)Innovativeness demonstrates the degree to which the firm is ready to supporting new thoughts, novelty, and creative procedures bringing about new and creative things, technology, or procedures. Innovation at the organizational level is

characterized as new product, service, thoughts, technology, process, and structure and incorporates their generation, acknowledgment, adoption, or execution (Daft, 1978; Damanpour,1991; Thompson, 1965; Zaltman et al., 1973). It proposes that complementary assets and capacities would enable an organization to benefit from innovation (Christmann, 2000), expanding the positive impact of development on organizational performance and result.

Innovations has been categorized as various typologies in the literature of the study and these are very helpful in understanding the innovation and its determinant as well as drivers of the innovation.

(Gopalakrishnan and Damanpour :1997) recognized three mainly common typologies for innovation as, product vs. process, administrative vs. technical and radical vs. incremental. managerial innovations are directly associated to administration oriented processes, and work activities or work structures while technical innovations are associated to product, services, and production process innovation (Damanpour, 1991; Kimberly and Evanisko, 1981; Read,2000). Product innovation is related to new product or services launch to meet up market needs or external users, while process innovation are new elements introduced into an organization's production or organization's service operations.

2.3 Firm Performance

Market performance is considered as being related to sale determiners, market share, premium of product and services. Small and medium size enterprises (SMEs) play major role in the growth of economies of any country in the world, Therefore, considering this importance for the SMEs has greater importance for intension and analysis, If we see over

all in the world, the fact is that there are more than 95% of enterprises in form of SMEs. (Turkstad,2016)

There will be higher level of performance in the organization if the organization's strategies are being protected by the organizational culture. It is mandatory for organizational culture to coordinate with business for the organization's success. Obviously, organizational will succeed, if culture of the organization is consistent with the employee's values (Lund, 2003).Organizational culture of any organization has greater role in performance determining, so if culture support and cooperate the activities,rules and regulations and innovative strategies in the organization then output of the firm will be ideal and can be improved by organization with greater potential.

2.4 -Hypothesis and Conceptual Framework

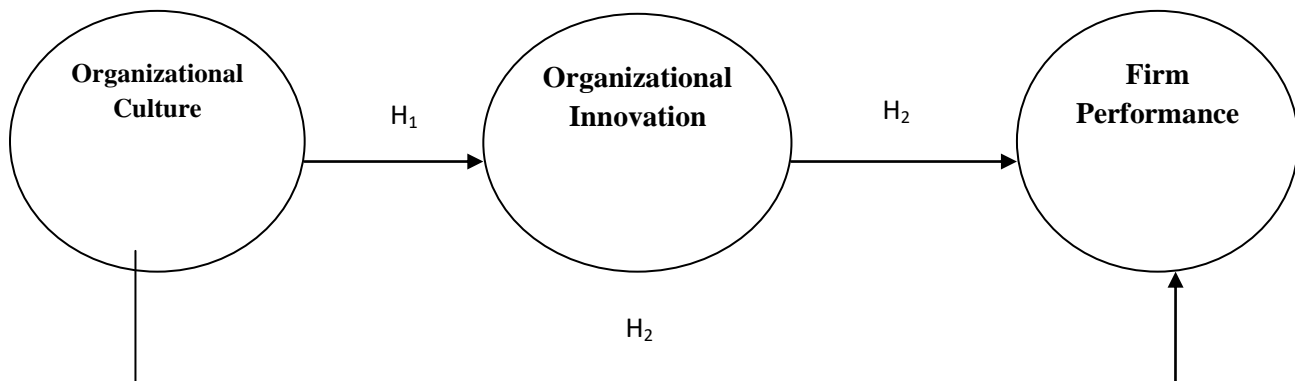
The hypothesis for this study has been given below are constructed by the relationship of three variables innovative organizational culture, what it has impact on organizational innovations and as well as firm performance of the SMEs and what is the impact of innovations being made in the organization has on performance of firm. The relationship of these three variables are shown in the conceptual framework given below.Conceptual model that has been from a previously conducted research on firm performance in turkey (Halil Semih Kimzan,2013).

H₁- Organizational culture has positive impact on organizational innovation

H₂- Organizational culture has positive impact on firm Performance

H₃- organizational innovation has positive impact on firm performance

Conceptual Framework of hypothesis



III. MATERIAL AND METHOD

3.1 Data collection and Measures

The sample of this study is consist of managers, owner, marketing managers, R&D managers..focused to Managerial staff of the companies or to all those had the responsibilities in the organization to implement the innovative strategies and structure the internal culture of the company.for better objectives achievement. I have designed a questionnaire for data collection from different small and medium size companies in Punjab. Data is being collected by visiting e organizations as well as I have prepared a online questionnaire to collect data by respondents. I have used measure scale that five point scale for which “1 = strongly disagree” to “5 = strongly agree” and one another five point scale for performance evaluation of the firm is that show “1 for poor” to “5 for excellent”. These measures we have taken form previous studies such as organizational culture and organizational innovation related items are taken from previously by a researcher (Chang and Lin 2007) and market performance measurement five items are taken from previously conducted study (S. Hogan 2014)We have selected convenience sampling technique by collecting data from firms in Multan region mostly.

There are some important reasons for focusing on small and medium-sized firms. SMEs play a very important role in economic development and income growth worldwide. Furthermore, SMEs enable employment growth, creating the most dynamic environment in emerging economies.

3.2 Scale validity and Reliability

The analysis of the study has been conducted and in this process first we have conducted screening test that show full frequencies because questionnaire was filled by online source

and all the questions was required mandatory to response so result this initial test was ok and then if we talk about reliability of the study that’s result show by Cronbach's Alpha was 0 .745 shows a good reliability .

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