

Implications of Organizational Culture on Innovation: An Exploratory Micro Study of Sri Lankan Gift and Decorative-ware Sector Firms

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Abstract

The prime objective of this paper is to investigate the impact of organizational culture on innovations in Sri Lankan gift and decorative-ware sector. This study begins with assessing dominant cultural types in characteristics of Clan, Adhocracy, Hierarchy and Market by using Cameron & Quinn's Competing Values Framework among selected 45 Sri Lankan giftware firms. The study moreover, assesses innovativeness of the Sri Lankan giftware manufacturing sector and the types of innovations predominant among these firms. Furthermore, it investigates whether there is a significant correlation between scale of culture dimensions and degree of innovativeness. Finally, it identifies most dominant cultural dimensions that need to be strengthened in giftware manufacturing firms in Sri Lanka to enhance their innovativeness thereby making them more competitive in the global marketplace.

Key Words: Organizational culture, Technological innovation, Gift and decorative-ware, Competitiveness.

Introduction

Gift and decorative-ware sector is an important constituent of both urban and rural economies of Sri Lanka. Sri Lanka Export Development Board (SLEDB-2004) points out that most of the firms engaged in this sector are small and medium scale employ a large work force of over 170,000 direct and indirect employees and generate sizable amount of exports. Industries of this sector are range from simple cottage type operating units to factories with state-of-art technology. Most of the production facilities in rural areas are elementary and are not far from self-employed backyard operations. In Sri Lanka's rural economy these constitute the second most important economic segment next only to the agriculture based industrial sector. As a general rule giftware sector has low capital intensity but high skills with limited need for sophisticated technologies. For the very same reasons the entry barriers to the industry are low and therefore continued innovation is a must for withstanding the increasing competition in the market place. Sri Lanka's cultural heritage and skilled craftsmanship passed down through the ages by generations have had a great influence on Sri Lankan giftware sector. The craftsmen mostly use locally available raw materials such as wood, clay, reed, bamboo, coconut fiber, cane, brass, handloom fabric for the production. Availability of natural raw materials in abundance and presence of easily trainable work force are deemed to be the key positive factors for this sector. SLEDB studies on Gift ware have revealed that the main constraints of the industry are in areas of lack of new designs and markets, high production costs, low productivity, lack of sufficient research and development and lack of new technology infusion. Inadequate competitiveness of local gift and decorative-ware manufacturing firms in the international market has indeed emerged a major issue before the political leadership and the planners in the country. For a developing economy like Sri Lanka, solution to its peculiar problems of rising unemployment, jobs for the educated youth, reducing disparities of income, regional development and creating self reliance lies in encouragement to its rich heritage in the forms of craftsmanship, skills as reflected in traditional gift and decorative hardware manufacturing. The small scale sector dominates in these areas. Innovation is a winning proposition in this sector of economy and in this trade. The management literature, as reviewed in the sections that follow brings out relationship between the organizational culture and innovation. The present study explores these aspects as related with a broader perspective of enhancing competitiveness in this sector.

The primary focus of this paper is to explore the influence of organizational culture, particularly dominant culture types, on innovativeness in firms of this sector. The focus of this study centers on why some organizations adopt a given innovation(s) more quickly than others.

It is proposed to study the issues and investigate the relationship through an empirical analysis. The study seeks responses to the following research questions.

Q1: What are the most dominant cultural types among the Sri Lankan Giftware manufacturing industry in terms of Clan, Adhocracy, Hierarchy and Market types?

Q2: How innovative is the Sri Lankan Giftware manufacturing industry and what types of innovations are predominant among the firms?

Q3: Is there a significant correlation between dominant culture type and metrics of innovativeness of Giftware manufacturing firms?

Q4: What are the most dominant cultural dimensions that need to be strengthened in Giftware manufacturing firms in order to enhance their innovative activities?

The theoretical framework guiding this study evolves from two fields of organizational inquiry - organizational innovation and organizational culture. Before constructing the overall study framework, these two key concepts must be examined.

Organizational Innovation

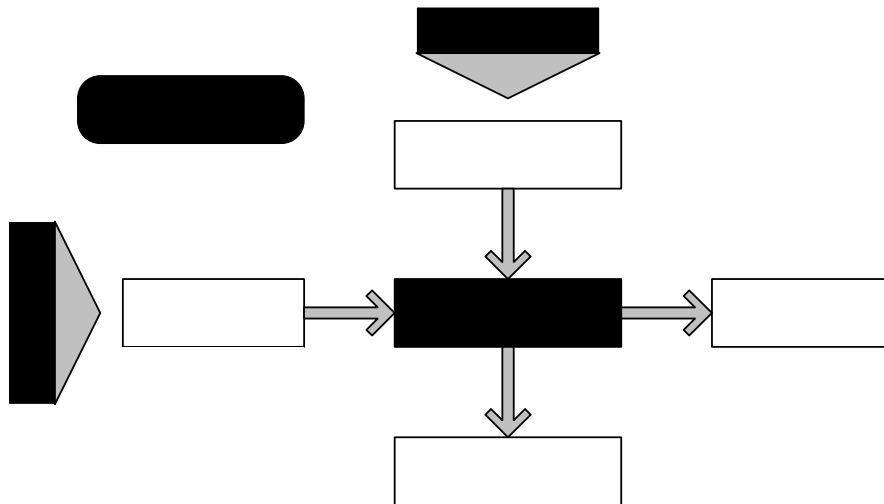
Technology is considered a branch of knowledge that deals with industrial arts, applied science, or engineering covering both products and processes for transformation of inputs into outputs. From this perspective, technology includes the machinery and equipment, the layout of the work, the methods, the processes, the techniques and the productive activity. Narayanan (2001) explains that management of technology focuses on the principles of strategy and organization involved in technology choices, guided by the purpose of creating values for investors. Management of technology focuses on creating competitive advantage for firms finding effective and efficient means and methodologies to fulfill the wants and needs of customers. Technological change is thus essential for a firm and the same comprises of two closely linked processes, innovation and diffusion. Rogers (1995) defines innovation as an 'idea, practice or object that is perceived to be new by an individual or other unit of adoption'. Narayanan (2001) refers to innovation as both the output and the process of arriving at a technologically feasible solution to a problem by a technological opportunity or customer need. Process, in this context of innovation refers to the means or methodology that leads to a technical solution. Innovation then represents is a problem-solving model. Innovation as output refers to a product or a service. Output again can be a hardware component as well as a software component. Keeny and Reedy (2007) point out that innovation involves the adoption of new products and/or processes to increase competitiveness and overall profitability and it involves new ways of identifying the needs of new and existing clients.

Measuring innovativeness of a firm is a complicated process as it stretches into different dimensions. Oslo Manual based model was published by OECD, in 1992 to standardize the data collection methodology. This provided guidelines on how to conduct an innovation survey and detailed different innovation indicators, the issues to be tackled and the methodology considerations to be taken into account. EUROSTAT together with OECD launched a standardized questionnaire, the Community Innovation Survey (CIS), in 1993, that was to be used in most EU countries. It surveyed the types of innovation activities a firm was engaged in, the objectives pursued, the information sources employed, the cooperation agreements and the hampering factors. Other survey methodologies have been developed in Japan, Canada and the USA. In late nineties another objective, the identification and measurement of the competencies that play a role in the firms' innovation process attracted attention.

Muller et al.(2003) have developed a framework to understand the innovative capacity within a firm. This framework goes much beyond traditional Oslo Manual based models. Framework suggested by Muller et al is the most appropriate and comprehensive model which is capable of capturing all possible dimensions of innovativeness. The framework (depicted in Figure 1) combines three views, Resource view, Capability view, and Leadership view on innovation.

These views accommodate a suite of metrics that help assess and develop a company's capacity for innovation.

Figure 1 - Innovation Framework



(Adapted from Muller et al)

Resource view: Companies must balance optimization (tactical investment in the existing business) and innovation (strategic investment in new businesses). The resource view addresses the allocation of resources to achieve this balance. The resource inputs are capital, labor, and time. Output is the return on investment in strategic innovation.

Capability view: - The capability view assesses the extent to which the company's culture supports the conversion of innovation resources into opportunities for business renewal. The inputs of this capability view are the preconditions for innovation i.e. the extent to which a company's skills, tools, and values are adapted to innovation. Outputs include growth platforms and strategic options.

Leadership view: - The leadership view assesses the degree to which a company's leadership supports innovation. As such, it evaluates leaders' involvement in innovation activities, the establishment of formal processes to promote innovation, and dissemination of innovation goals.

Processes: - Innovation processes are an additional element of the framework. According to the original model these comprise of organizational structure such as incubators, innovation markets, venture funds, and innovation incentives. However, the model adopted is modified to include idea generation, idea implementation and motivation/attitudes of the people, as well. As Figure 1 suggests, innovation processes interlink the resource view and the capability view. Innovation, at the level of the organization has been the main focus of a majority of theoretical and empirical studies of innovation.

Resource

Preconditions

Input

ROI

Organizational Culture

Organizational culture has been variously defined. In its simplest form, Deal & Kennedy (1982) refer that culture is the way things are done in the organization. It is seen as a set of meanings created within the organization but influenced by broader social and historical processes. Geertz (1973) explains that culture is a system of shared symbols. Schein (1973) provides an elaborate definition that culture represents ‘a pattern of basic assumptions that was learned by a group as it solved its problems of external adaptation and internal 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 these problems.’ A related issue concerns the ways culture has been studied in an organization. Some of the earlier studies are rooted in understanding organizational climate. Miner’s (1979) Limited Domain Theory provides basis for the organizational culture. This theory supported by long research identifies hierarchic, professional, entrepreneurial and group domains. Each of the domains requires different types of behaviour, leaders, control systems and organizational designs. Smircich (1983) points out that the culture can be explored in two major ways. Variability approach focuses on causality. Culture is considered to be predictable and thus causes outcomes. The second approach referred to as Root Metaphor, considers culture as a process rather than as a product or a variable. Driskill and Brenton (2005) mention that root metaphor approach has three research traditions to consider culture: as shared cognition, as systems of shared symbols, and as the expression of unconscious processes. Organizational cultural profile comprises of various types of traits which influence organizational effectiveness. Denison and Mishra (1995) identify four cultural traits as involvement, consistency, adaptability, and a sense of mission. Sinha (2000) mentions values, behaviour, relationships, technology, structure, procedure, and goals and objectives as the components of organizational culture classified as soft culture, work-centric nurturant culture, and technocratic culture. Schein (2004) advocates study of culture under the levels of Artifacts (visible organizational structures and processes), Espoused beliefs and values, and Underlying assumptions.

The competing values framework, as developed by Cameron, Quinn and Robert (1999) has been used in constructing an organizational culture profile. Through the use of the “Organizational Culture Assessment Instrument (OCAI)”, an organizational culture profile can be drawn by establishing the organization's dominant culture type characteristics. In this respect the overall culture profile of an organization is identified as:

Clan: an organization that concentrates on internal maintenance with flexibility, concern for people, and sensitivity for customers.

Hierarchy: an organization that focuses on internal maintenance with a need for stability and control.

Adhocracy: an organization that concentrates on external positioning with a high degree of flexibility and individuality.

Market: an organization that focuses on external maintenance with a need for stability and control.

Conceptual Framework for the Study:

The conceptual frame work for the study and responses to questions raised are based on premise that there is a link existing between the organizational culture and innovation. The sections that follow refer to various studies conducted by researchers to establish this linkage and endeavour to show that the organizational culture causes a great impact on innovation. Based on these findings, a model has been proposed and a framework advanced with hypotheses for testing through empirical data.

Linkage between Innovation and organizational Culture

Tushman and O'Reilly (1997) point out those successful organizations have the capacity to absorb innovation into the organizational culture and management processes and that organizational culture lies at the heart of organizational innovation. Kenny and Reedy (2007) emphasize that organizational culture affects the extent to which creative solutions are encouraged, supported and implemented. Martins and Terblanche (2003) explain that a culture supportive of creativity encourages innovative ways of representing problems and finding solutions. Unlike operations where the activities are formalized and pre-specified, innovation is a non-routine activity where there is a fair amount of uncertainty around the tasks to be performed. Organizational culture in absence of laid down rules of the game, can both hinder creativity as well as stimulate innovation. Russel (1989) takes the view that as entrepreneurial organizations grow through the successful application of creative ideas, they experience a 'crisis of leadership'. Increase in number of employees makes it rather difficult for an entrepreneur to manage efficiently through informal communication channels. Zaltman et al (1973) mention that innovation is a highly complex social process which requires the effective interaction of a large number of individuals and sub-units within the innovating organization. There is thus a need to provide directive leadership through professional managers. Besides, innovation by definition deals with uncertain problems. In such an environment, structural solutions such as formalized procedures are often ineffective. Russel (1989), explains that culture supports innovation by creating an organizational climate which institutionalizes innovation as an important activity and further, by focusing attention on and legitimate innovation, a supportive culture helps to motivate and sustain the complex, interactive process of social exchange necessary for successful innovation. Yeung, Brockbank and Ulrich (1991) refer that organizational culture is important as a vehicle for implementing organizational change. King (1990) points out that though not all organizational change involves innovation, all organizational innovation involves change. Christensen (1997) suggests that an organization's resources, processes and values (its culture) contribute to its ability to adopt innovations. Kanter (1988) stresses the importance of a "pro-innovation" culture.

It is evident that not all the cultures prevailing in the organization would facilitate the innovation process and thereby building the innovative competency within the organization. Researchers like Ouchi (1981), Peters and Waterman (1982) note that within the same national culture context some organization level cultural dimensions are essentially important for sustained competitiveness in the market.

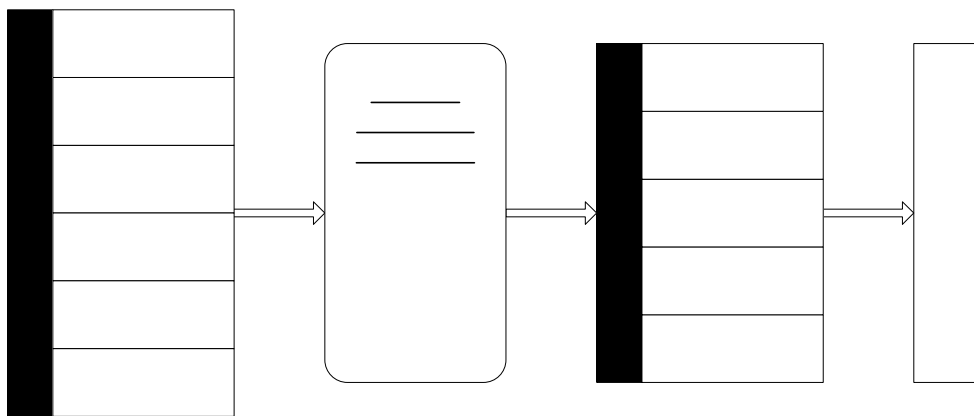
Others who have studied relationship between culture and innovation include, Raelin (1987), Abey and Dickson (1983), Jones and James(1979), Pritchard and Karsick(1973). Oldham and Cummings(1996), and Convey and MacMakin (1997) also suggest the presence of a relationship. Kotter and Heskett (1992) record that only a few empirical studies on the impact of organizational culture on organizational innovation exist. Angle (1989), Kimberly (1981), Kanter (1988), Tesluk et al.(1997) support these claims.

Besides most of these studies concern large organizations positioned in developed economies. Roberts et al. (1989) make an important observation that smaller organizations are not necessarily less capable of implementing advanced technologies. However it is also true that small firms have their own environment and limitations not found in large organizations and it requires an investigation if the research findings are equally applicable in small industry.

The framework:

In complying with the research questions articulated and by integrating the two different models of Innovativeness and Organizational Culture as discussed, an overall conceptual model for the research study has been developed and is described as under (Figure 2).

Figure 2 - Conceptual Framework for the research study



Hypotheses

Competing Values Framework (CVF) has been used in defining distinctive culture types in studies relating organizational culture and organizational effectiveness. Eight hypotheses were built for this study – two dedicated to the classification of dominant culture type, two others dedicated to the classification of innovation types and rest of the four dedicated to the relationship between dominant culture type and the organizational innovativeness.

The initial focus of this study is to test general Hypothesis 1 and 2 and identify dominant organizational culture type within a sample of giftware manufacturers. Hypothesis 1 flows from the basic objectives of the study to determine the dominant culture type in the Sri Lanka decorative ware industry. Organizational structure lays down the foundations of decision making in a large organization. Hierarchy, as such, is so strongly with the organizational

Dominant
Characteristics
 7
Leadership
Management of
Employees

Dominant
Organization
Culture Type
CLAN

structure thus has a large influence on decisions related to innovations. In the present study Hypothesis 2 proposes to test the same in the context of small industry as decorative ware.

Hypothesis 1 (H1): *Within a sample of Giftware manufacturing firms in Sri Lanka there will be a clear difference in the mean scores assigned to the Organization Culture types based on Competing Values Framework (i.e. Clan, Hierarchy, Adhocracy and Market)*

Hypothesis 2 (H2): *Majority of the Sri Lankan Giftware firms tends to have highest mean score for the culture type Hierarchy*

At a general level innovation types are broadly classified into four categories that is Offerings, Processes, Structural and Strategic. Each category is classified into sub-dimensions Radical or Incremental. The focus is on manufacturing and product innovation only. The following hypotheses are to be tested in response to research Questions 2 and 3:

Hypothesis 3 (H3): *Sri Lankan Giftware firms tend to focus more on product innovations than on process, strategic and structural innovations*

Hypothesis 4 (H4): *Sri Lankan Giftware firms tend to focus more on incremental innovations than on radical innovations*

The firm must continuously assess the four types of innovations whether they involve the creative process, produce distinctive results, make an impact, and cultivate those that have the potential to be meaningful innovations. The following two hypotheses get added for testing to support the study related to research Questions 2, and 3..

Hypothesis 5 (H5): *There is a significant relationship between dominant organizational culture types and the degree of innovativeness within a sample of Giftware manufacturing firms in Sri Lanka.*

Hypothesis 6 (H6): *The dominant culture types will have a relationship with the type of innovation activities performed within the firm.*

The following two more hypotheses emerge to seek response to research Question 4:

Hypothesis 7 (H7): *Adhocracy is the single most important culture type to determine the frequency of innovative activities of the firm.*

Hypothesis 8 (H8): *External positioning is the most important dimensions in the organizational culture to determine the frequency of innovative activities of the firm.*

Methodology and Data

A quantitative empirical research approach has been used to indicate the degree of various parameters within the organization to assess its type of culture and to measure their innovativeness. In both the assessments, five-point Likert scale has been used.

Respondents were asked to indicate the frequency for each type of innovation that their businesses have introduced in the last three years. For each type, the respondents were asked to state the percentage values for the level of innovation (radical/incremental) and degree of newness (new to company/to the local market/to the world).

Sample

The questionnaire was posted to a sample of 65 firms in the Gifts and Decorative-ware Industry mainly consisting of small and medium size companies in varied disciplines. The sample was selected in random manner. Geographical distribution of these firms covered seven districts of Colombo, Kurunegala, Galle, Kalutara, Matara, Negombo and Kandy. Number of employees in a firm ranged from a minimum of 10 to 1500.

The group of firms in the sample was diverse in terms of legal status, firm's age, annual turnover, number of employees, raw material base and functionality of products. Table 1 illustrates the structure of the sample in terms of these characteristics.

Data Collection

A single key informant was used as a proxy for the organization to report on the culture of the organization and opinion based questions to assess firm's innovativeness. In most cases the informant was the CEO, owner, main partner or the senior executive of the company. Figures and values were also supplied by the same informant with the assistance of finance department and other relevant officers where necessary. A modified version of the tailored design method adopted by Dillman (2000) was employed as the mail survey process.

Of the sixty five survey questionnaires mailed, forty two individual responses were received. Fifteen of these needed personal interviews with the respondents to clear the discrepancies. On completion, overall response rate of 64.6% was considered satisfactory.

Descriptive statistics on aspects of Organization Culture

Primary emphasis was placed on classifying firms by their dominant culture type (i.e. clan, hierarchy, adhocracy and market). Firms reporting identical scores on two or more dominant culture types were assigned the designation of "no dominant". Thus, five classifications of dominant culture types were identified and reported. Descriptive analysis of dominant organization culture type is depicted in Table 2. Twenty (n=20) institutions, representing half the population selected Clan as the dominant culture type. Adhocracy (n=9) came to be projected next. Seven chose a dominant culture type of Market and three companies in each category projected Hierarchy and 'No Dominant'. These results are detailed in Table 2.

Table 3 provides the descriptive statistical analyses for each culture type. The mean scores for the culture types range from 3.49 to 4.02 suggesting that the respondents, as a group, believe each culture type to be at least moderately descriptive of their organization. Among the four culture types, the mean score for the Clan type (mean = 4.02) is the highest followed by Adhocracy (mean 3.63, Market (mean = 3.52) and Hierarchy (mean = 3.49) respectively.

Descriptive analyses were carried out for frequency of different types of organizational innovations, innovation levels (Radical/Incremental) and the degree of newness in each category. Organizational innovation categorized as Product, Process, Organizational and Strategy in two groups, Radical and Incremental, by Baker (2002a, 2002b) have been considered. The study has also estimated the overall degree of newness of these innovations by sorting them into three different groups: "new to the company", "new to the local industry" and "new to the world". Table 4 provides the descriptive analyses conducted. The category "New to the company" was not recorded as it was an apparent and universal response of all the firms.

Out of all innovation types, Product innovations recorded the highest average frequency of 63.86 for the industry which accounts for 83.16% of total number of innovations. Strategy and Process innovations show the next highest values of 5.93 and 5.33 respectively, while Organizational innovations provide the lowest frequency. The findings are summarized in Table 4. It is interesting to note that the average frequency of product innovations is more than four times of the combined frequencies of the other three subgroups.

As a major single dependent variable, the number of times that the all four types of innovation were implemented during the three-year period was aggregated to obtain the total frequency of organizational innovation. The assessment indicated that the mean frequency of total organizational innovation was 76.79 for the industry in general. In terms of level of innovation, Incremental innovations represent higher percentage (56.95%) of total number of organization innovations. This implies that there exists a relatively longer time span for organizational changes and slow execution of such innovations by the Sri Lankan giftware firms. In terms of degree of newness, nearly half of all the innovations are new to the local industry while only 15.27% are entirely new to the world. Product innovations show fairly high percentages in both categories. However, there is no hard evidence to authenticate these figures as in many cases companies do not possess patents or licenses for such innovations.

ANOVA Analysis and Testing of Hypotheses

Testing of the hypotheses was mainly performed through a series of one-way analyses of variance (ANOVA).

Hypothesis 1 speculated that there will be a difference in the mean scores assigned to the 4 culture types of clan, hierarchy, adhocracy and market within a sample of Giftware manufacturing firms in Sri Lanka. A one-way analysis of variance (ANOVA) of these data produced the results given in Table 5. With a sufficiently large F value of 8.753, analytical data suggests that there is a statistically significant difference between the groups at the .05 level.

The results establish show that average scores for the different culture types of clan, hierarchy, adhocracy and market are not the same. Therefore, *Hypothesis 1 is validated*. This finding is in line with the findings of the similar studies carried out by Cameron and Quinn (1999) previously in different country contexts to investigate whether organizations can be classified by their dominant operating values.

Hypotheses 2 posted that majority of the Sri Lankan Giftware firms tend to have highest mean score for the culture type Hierarchy. However as shown in the Table 2 the clan culture was reported as the most dominant type among Sri Lankan giftware firm with the majority of 47.6% (n=20). Additionally, a post-hoc analysis carried out using Turkey's Honestly Significant Difference (HSD) reported a statistically significant difference between the mean score of clan culture with all other types. Therefore the *Hypothesis 2 is not supported by the research data*.

Hypotheses 3 suggests that Sri Lankan Giftware firms tend to focus more on product innovations while Hypothesis 4 signifies that they tend to focus more on incremental innovations vis-à-vis other types. As shown in Table 4, Product Innovations and Radical

Innovations show clear highest mean score. Particularly Product innovations show four fold higher value as against the combine value of all other types. Therefore the Hypotheses 3 and 4 are validated.

Through the Hypotheses 5 and 6, it was posited that a relationship existed between dominant organizational culture type and innovative activities. Hypothesis 5 examined the influence of dominant organizational culture type on the metrics of the firm's innovativeness, while Hypothesis 6 examined the influence of dominant culture type on the frequency of four types of innovations. As shown in Table 6, average scores of only two metrics namely Resources-Out and Capabilities have shown statistically significant difference among the five dominant culture types (e.g., clan, hierarchy, market, adhocracy and 'no dominant') while other three metrics appeared to have no significant difference. Therefore, the *Hypothesis 5 is only partially validated*.

Results of the ANOVA analysis conducted in order to test the Hypothesis 6 are shown in the Table 7. The average scores for the four innovation types are clearly not similar for the five dominant culture types. It is noted that the most significant difference is recorded for the product innovations while process and strategy innovations too reported acceptably significant differences at 0.05-level. However, organization innovations failed to exhibit any significant difference among dominant culture types. Since product innovations contribute more than 80% to the total, a clear difference in the total innovations among different culture types could also be noted. Therefore the *Hypothesis 6 is validated* confirming that the dominant culture type has a definite impact on the frequency of innovation types.

Since ANOVA itself does not indicate where differences exist, a descriptive ANOVA procedure was carried out and the results are depicted in Table 8. Organizations having Adhocracy as the dominant culture type, have recorded the highest frequency for total innovation (190.62) as well as for each innovation type separately. This is followed by second highest value (137.71) for Market type and comparatively low scores for Clan (25.6) and Hierarchy (37.25). *The above results support the Hypothesis 7* which suggests that Adhocracy is the single most important culture type to determine innovation performance.

Hypothesis 8 suggests that external positioning is the most important dimensions in the organizational culture to determine the firm's innovation performance. In the concept of the Competing Values Framework (CVF) external positioning is determined by the operating values of both Adhocracy and Market culture types. According to our results those two culture types are the reporters of highest values of innovation performance as such the *Hypothesis 8 is also validated*.

Discussion

Findings of the study support the logic provided by the Competing Values Framework which suggests that the adhocracy culture type emphasizes operating values for innovation (Cameron and Quinn, 1999). The mean frequency of total innovation for institutions reporting Market as the dominant culture type is significantly different from the mean frequencies for those reporting dominant culture types of Hierarchy and Clan. The literature on Organizational culture type supports this finding suggesting that the Adhocracy and Market culture types

share similar operating values. It could be expected, therefore that the Market culture type might be associated with higher innovation. Since the Clan and Hierarchy culture types share the operating value for internal focus, it is not surprising that these cultures have lower mean scores on innovation than the other culture types. The different ANOVA results obtained for the organizational type of innovations could be attributed to the fact that these are more internally oriented than externally oriented.

The participating firms reported higher average frequency of product innovations, multi-times than the combined value of other innovations. This requires serious attention. Developing new products is comparatively easy. But new strategies and processes always carve a niche in the market. In the light of cost vs. quality alias value for money formula, product innovations enhance value addition while organization and process innovations encourage productivity, efficiency and sometimes total rewriting of rules resulting in high quality goods produced at very low costs. Incremental innovations are dominant over radical innovations. It is to be noted that radical innovations are rather important in the present context, as the window of opportunity remains open for very short period of time.

In terms of the degree of newness, 45.69% of the total innovations are new to the industry while only 15.27% are new to the whole world. In the context of booming ICT, e-commerce practices and mobility of people, geographical boundaries of global market are disappearing making the world as one massive single market. So the “new to the local market” no longer has significant value. Being “new to the world” is a critical factor in the winning strategy. Innovation performance of Sri Lankan Gift and Decorative ware manufacturing firms is associated with their dominant organizational culture type. Adhocracy is affiliated with higher innovation performance than the other dominant culture types. A statistically significant difference has been noted between the mean scores on product, strategy and process innovations for each of the dominant culture types. However, the dominant culture type of Adhocracy is associated with higher levels of innovation for all innovation types followed by the type of Market. The prospect of innovation implementation is associated with the characteristics of the Adhocracy and Market culture types, implying that external positioning with the operating values of competition and differentiation is important for a company to perform innovatively.

Managerial implications and further Research

Analysis suggests amongst Sri Lankan Gift and Decorative ware firms Clan is the most dominant culture type followed by Adhocracy, Market and Hierarchy respectively. Also in the overall culture profile of the industry Clan records the highest mean score. This demonstrates the overall inclination of the industry towards people oriented operating values such as cohesiveness, participation, teamwork, loyalty, commitment, morale etc. rather than being oriented externally. It is to be noted that contemporary strategic management practices warrants more proactive approach in order to withstand the current violently competitive business environment. It further prescribes adapting business practices in the light of one’s internal strengths and weaknesses and opportunities and threats of the external environment. In the present context the opportunity is much short-lived. Invasion of the international market by countries like China with gigantic economy of scale in production has made the battle in low cost markets virtually a losing proposition. As a result new ideas, new strategies, new

processes, new practices are in high demand. Fast changing trends and short product life cycles have pressurized manufacturers for continuous innovation in line with the changes take place in the external environment. Based on the results it could be advocated that Adhocracy and Market are the key cultural dimensions that need to be strengthened within Giftware manufacturing firms in Sri Lanka in order to enhance their innovativeness.

A firm's innovativeness is only one aspect of a business operation. Other culture traits may have different significant roles in determining other facets of the organization. Managers should therefore be extremely careful in keeping the right mix of culture characteristics in order to optimize the overall operation and performance of the firm.

Findings of this research may help organizations to identify specific cultural traits they need to develop for better performance in innovation. Companies who envision to championing the international market may use the finding of this research for constructive changes in their organizational culture.

The study provides a valuable set of new notions and tools for future research. There is a need to perform similar studies on other industrial sectors and further validation of these findings

Conclusions

This study is unique and a first attempt in Sri Lankan context for a systematic study on the Gift and Decorative-ware industry which essentially lies in small scale sector. The research examined innovativeness and its possible relationships with the organizational culture. It also investigates the dominant cultural dimensions and most common cultural types available within local firms. Most importantly it analyzes which culture type will have the largest stimulation towards organizational innovativeness thereby increasing the firm's competitiveness in the international market.

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Appendix:

Table 1 - Descriptive statistics of Sample characteristics

	N	Min	Max	Mean	Std. Dev
Local Equity (%)	42	50.0	100.0	98.571	7.831
Firm's Age (Years)	42	2	37	13.86	8.23
No of years exported	41	0	33	11.66	8.39
No of Employees	42	10	1500	159.57	313.81
Annual Turnover(Rs Mill)	38	0.5	3000.0	362.466	765.571

Table 2- Dominant Organization Culture Types

Dominant Culture Type	# of Firms	Percentage %
Clan	20	47.6
Adhocracy	9	21.4
Market	7	16.7
Hierarchy	3	7.1
No dominant	3	7.1

Table 3 - Mean Scores of Culture type for overall Giftware Industry

Culture Type	Mean	% Mean	Rank	Range	SD
Clan	4.02	27.42%	1	1.0 - 5.0	.7029
Adhocracy	3.63	24.75%	2	1.0 - 5.0	.9242
Market	3.52	24.04%	3	1.0 - 5.0	.9786
Hierarchy	3.49	23.78%	4	1.0 - 5.0	.8440

Table 4 - Innovation types summary

Innovation Type	Average Frequency		Level of Innovation		Degree of newness	
	# Of occurrence	Percentage	Radical	Incremental	New to Local Industry	New to the World
Product	63.86	83.16%	44.36%	55.64%	61.86%	29.84%
Process	5.33	6.95%	34.52%	65.48%	49.81%	15.20%
Organization	1.67	2.17%	52.05%	47.95%	22.50%	2.50%

Strategy	5.93	7.72%	41.25%	58.75%	48.57%	13.52%
Total	76.79	100.00%	43.05%	56.95%	45.69%	15.27%

Table 5 - One way ANOVA for mean scores assigned to the four Culture Types

Organization Culture Type	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	437.029	3	145.676	8.753	.000
Within Groups	2729.442	164	16.643		
Total	3166.471	167			

Table 6 - One way ANOVA analysis for dominant culture types on the metrics of Organizational Innovativeness

		Sum of Squares	df	Mean Square	F	Sig.
Resources In	Between Groups	410.604	4	102.651	.293	.881
	Within Groups	12615.528	36	350.431		
	Total	13026.131	40			
Resources out	Between Groups	196358.218	4	49089.554	10.655	.000
	Within Groups	170470.854	37	4607.320		
	Total	366829.071	41			
Capabilities	Between Groups	30532.531	4	7633.133	3.041	.029
	Within Groups	90374.608	36	2510.406		
	Total	120907.139	40			
Leadership	Between Groups	1101.725	4	275.431	.352	.841
	Within Groups	28138.263	36	781.618		
	Total	29239.988	40			
Process	Between Groups	8944.432	4	2236.108	1.803	.150
	Within Groups	44655.088	36	1240.419		
	Total	53599.520	40			

Table 7 - One way ANOVA analysis for dominant culture types on Innovation types

		Sum of Squares	df	Mean Square	F	Sig.
PROD	Between Groups	136609.994	4	34152.499	7.994	.000
	Within Groups	158077.149	37	4272.355		
	Total	294687.143	41			

PROCESS	Between Groups	1396.260	4	349.065	4.250	.006
	Within Groups	3039.074	37	82.137		
	Total	4435.333	41			
ORG	Between Groups	24.467	4	6.117	1.443	.239
	Within Groups	156.867	37	4.240		
	Total	181.333	41			
STRATEGY	Between Groups	1832.740	4	458.185	4.584	.004
	Within Groups	3698.045	37	99.947		
	Total	5530.786	41			
TOTAL	Between Groups	196358.218	4	49089.554	10.655	.000
	Within Groups	170470.854	37	4607.320		
	Total	366829.072	41			

*Table 8 - Descriptive results of the One way ANOV
A analysis for dominant culture types on different Innovation types*

		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
						Lower Bound	Upper Bound
Product	Clan	20	21.2500	16.9018	3.7794	13.3397	29.1603
	Adhocracy	8	152.1250	126.0912	44.5800	46.7101	257.5399
	Market	7	125.1429	81.4359	30.7799	49.8272	200.4585
	Hierarchy	4	28.5000	15.8008	7.9004	3.3573	53.6427
	No Dominant	3	16.6667	20.2073	11.6667	-33.5309	66.8643
	Total	42	63.8571	84.7791	13.0817	37.4381	90.2762
Process	Clan	20	1.6000	1.8468	.4129	.7357	2.4643
	Adhocracy	8	17.0000	19.9213	7.0432	.3454	33.6546
	Market	7	3.8571	2.0354	.7693	1.9747	5.7396
	Hierarchy	4	4.7500	5.9090	2.9545	-4.6526	14.1526
	No Dominant	3	3.3333	5.7735	3.3333	-11.0088	17.6755
	Total	42	5.3333	10.4009	1.6049	2.0922	8.5745
Org.	Clan	20	1.2000	1.5079	.3372	.4943	1.9057
	Adhocracy	8	2.5000	2.1381	.7559	.7125	4.2875
	Market	7	2.0000	1.5275	.5774	.5873	3.4127
	Hierarchy	4	.5000	.5774	.2887	-.4187	1.4187
	No Dominant	3	3.3333	5.7735	3.3333	-11.0088	17.6755
	Total	42	1.6667	2.1030	.3245	1.0113	2.3220

Strategy	Clan	20	1.5500	2.7621	.6176	.2573	2.8427
	Adhocracy	8	19.0000	21.4343	7.5782	1.0805	36.9195
	Market	7	6.7143	6.5756	2.4853	.6329	12.7957
	Hierarchy	4	3.5000	4.5092	2.2546	-3.6752	10.6752
	No Dominant	3	1.6667	2.8868	1.6667	-5.5044	8.8378
	Total	42	5.9286	11.6145	1.7922	2.3092	9.5479
TOTAL	Clan	20	25.6000	18.7964	4.2030	16.8030	34.3970
	Adhocracy	8	190.6250	132.9296	46.9977	79.4931	301.7569
	Market	7	137.7143	78.5827	29.7015	65.0374	210.3911
	Hierarchy	4	37.2500	14.3149	7.1575	14.4718	60.0282
	No Dominant	3	25.0000	34.6410	20.0000	-61.0531	111.0531
	Total	42	76.7857	94.5888	14.5954	47.3098	106.2617