

THE DETERMINANTS AN ORGANIZATION CULTURE THAT INFLUENCE OF
CREATIVITY AND INNOVATION PRODUCT FOR SMALL MEDIUM
ENTERPRISE (SMEs)

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I declare that had read this work and in my opinion which the project was adequate from the scope and quality for the award of the Degree of the Bachelor in Technopreneurship with Honours.

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“I declare this thesis entitled ‘The Determinants an Organization Culture That Influence of Creativity and Innovation Product for Small Medium Enterprise (SMEs)’ is my own work except the summary and excerpts of each of which I have mentioned the source”

Signature :
Name : NURUL HASHIMAH BINTI JAFFAR
Date : 24 JUNE 2013

DEDICATION

To Hj. Jaffar bin Abdullah (my beloved father), Hjh. Bunga binti Ismail (my lovely mother), my family, my lecturers and my best friends; we made it!

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First of all, thanks for God because of Him, I have done my Final Year Project (FYP) at the right time. I would like to thank my father and mother for his encouragements and advices from time to time. FYP could not be done without his love and support.

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ABSTRACT

Small Medium Enterprise (SMEs) has become very popular phenomenal nowadays towards economic growth with full of supporting from Malaysia government. One of the Malaysia government initiatives to develop the small medium enterprise is the One District One Industry Programme. This research focuses on relationship between organizational culture and innovation of product for Small Medium Enterprise (SMEs). Hence, the objectives of this research are to examine the impact of organization culture to increase the quality of product, to evaluate and develop an appropriate culture that influence on development of a new product, and to find out the effectiveness of organization culture in organization to improve the creativity and innovation of products performance. A sample of 130 respondent of food sector entrepreneur has been conduct by structured questionnaire at SMEs event such as Festival Kecil dan Sederhana 2013 (FIKS) and Carnival Eko Halal 2013.

Keywords: SMEs, Food Industry, Success Factors, Organization Culture, Creativity and Innovation of Products

ABSTRAK

Perusahaan Kecil Sederhana (PKS) adalah sangat popular pada hari ini ke arah pertumbuhan ekonomi dengan disokong penuh oleh kerajaan Malaysia. Salah satu inisiatif kerajaan dalam membangunkan Perusahaan Kecil dan Sederhana adalah menerusi program Satu Daerah Satu Industri. Penyelidikan ini tertumpu kepada hubungan antara budaya dalam organisasi terhadap kreativiti dan inovasi product keatas Perusahaan Kecil Sederhana (PKS). Maka, objektif penyelidikan ini adalah untuk mengkaji kesan budaya organisasi dalam meningkatkan kualiti produk, menilai dan membangunkan budaya yang sesuai dalam mempengaruhi pembangunan produk baru, dan untuk mengetahui keberkesanan budaya organisasi dalam meningkatkan kreativiti dan inovasi produk. Satu sample 130 responden usahawan dalam sektor makanan telah dijalankan melalui soal selidik dan diedarkan melalui beberapa program PKS seperti Festival Kecil dan Sederhana 2013 (FIKS) dan Karnival Eko Halal 2013.

Kata Kunci: *PKS, Industry Makanan, Faktor Kejayaan, Budaya Organisasi, Kreativiti dan Inovasi Produk*

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LIST OF ABBREVIATION

FPTT	:	Faculty of Technology Management and Technopreneurship
FYP	:	Final Year Project
GDP	:	Gross Domestic Product
ODOI	:	One District One Industry
SME	:	Small Medium Enterprise
UTeM	:	Universiti Teknikal Malaysia, Melaka

CHAPTER 1

INTRODUCTION

1.1 Research Background

As in global world has becoming more challenging nowadays and with the rise of technology, many fast food or food organizations have provide some product of innovation to attract their customer beside to fulfill the customer satisfied and achieve the company goals. The innovation of product is providing by the successful implementation of creative idea within an organization. Schein (2010), state that what happens in organization is fairly easy to observe; for example leadership failures, marketing myopia, arrogance based on past success, and so on; but in the effort to understand why such things happen, culture as a concept comes into its own. Culture is an abstraction, yet the forces that are created in social and organizational situations that derive from culture are powerful.

Robbins & Judge in Schein (2010), state the organizational culture is the shared values, principles, traditions, and ways of doing things that influence the way organizational members act. Schein (2010), describe organizational culture as a pattern of shared basic assumption that was learned by a group as it solved its problem of internal adaption 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 those problem. The concept of culture is to have any utility and it should draw the attention to those things that are the product of human need for stability, consistency, and full of meaning. Organizational culture is a cognitive framework consisting of assumptions and values shared by organizational members.

John & George in Schein (2010), state the corporate culture refers to a set of values, norms, rituals, formal rules, and physical artifacts that exist in a company. Cultures are powerful and deep. In the word of scholar, cultures are “like water around fish.” They evolve as companies cope with recurring stresses in their competitive environment. Besides, attitudes and behaviors that can solve problems and bring success are reinforced and become permanents parts of the culture.

Schein (2005), also show the core elements of cultural characteristics is sensitivity to others, interest in new ideas, willingness to take risks, the value placed on people, openness of available, communication option and friendliness and congeniality (compatibility between persons). Individual and team creativity is an important determinant of an organization’s capacity to be innovative. This is an important role for organizational success.

Basically, organizational culture can divide into two types. First, internal focus and second is external focus. Internal focus is focus on attention paid primarily to what’s going on inside the organization (Clan Culture and Hierarchy Culture) and external focus is attention paid primarily to what’s going on outside the organization (Adhocracy Culture and Market Culture).

The type of culture (which could be unique and suited to purpose), it was strength of culture that was most predictive of performance. Schein (2005), to the extent that all managers share relatively consistent values, then performance follows because of increased goal alignment, a stronger sense of motivation and intrinsic reward implicit in the “successful” cultures, and implicit controlling and sanctioning of appropriate behaviours without the need for expensive and stifling bureaucracy and co-ordination structures. Values, norms and beliefs that play a role in creativity and innovation can either support or inhibit creativity and innovation depending on how they influence individual and group behavior.

Based on classical theories about the innovation, organizational are not machine but cooperative systems. John & George in Schein (2010), state that the great ethical of philosophy and theologies also guide manager to build organizational culture today are largely products of revolution. To operate effectively and efficiently, they require the active cooperation of workers and not just their passive obedience. People on the other hand are motivated by a range of rewards, including social esteem, not just monetary ones. The motivated a person one day may be ineffectual the next.

1.1.1 Type of Organizational Culture

Kreither and Kinicki (2013) state that organizational culture is the set of shared, taken-for-generated implicit assumptions that a group holds and that determines how it perceives, thinks about, and reacts to its various environments. This definition has highlights three important characteristics of organizational culture. First, organizational culture is passed on to new employees through the

process of socialization. Second, organization culture influences our behavior at work and finally organization culture operates at different levels.

Culture generally remains below the threshold of conscious awareness because it involves taken-for-granted assumption about how one should perceive, think, act and feel. Beside, they also define the four type of organizational culture which is Clan Culture, Hierarchy Culture, Adhocracy Culture and Market Culture.

1.1.2 Definition of Clan Culture

Kreither and Kinicki (2013), define a clan culture has an internal focus and values flexibility rather than stability and control. It resembles a family-type organization in which effectiveness is achieved by encouraging collaboration between employees. This type of culture is very “employee-focused” and strives to instill cohesion through consensus and job satisfaction and commitment through employee involvement. Clan organizations devote considerable resources to hiring and developing their employees, and they view customers as partners.

1.1.3 Definition of Hierarchy Culture

Kreither and Kinicki (2013), define the hierarchy culture has an internal focus, which produces a more formalized and structured work environment, and values stability and control over flexibility. This orientation leads to the development of reliable internal processes, extensive measurement and the implementation of a variety of control mechanisms. Effectiveness in a company with this type of culture is likely to be assessed with measures of efficiency, timeliness, quality, safety and reliability of producing and delivering products and services.

1.1.4 Definition of Adhocracy Culture

Kreither and Kinicki (2013), define an adhocracy culture has an external focus and values flexibility. This type of culture fosters the creation of innovative products and services by being adaptable, creative, and fast to respond to changes in the marketplace. Adhocracy culture does not rely on the type of centralized power and authority relationships that are part of market and hierarchical cultures. They empower and encourage employees to take risks, think outside the box and experiment with new ways of getting things done. This type of culture is well suited for start-up companies, those in industries undergoing constant change and those in mature industries that are in need of innovation to enhance growth.

1.1.5 Definition of Market Culture

Kreither and Kinicki (2013), define a market culture has a strong external focus and values stability and control. Organizations with this culture are driven by competition and a strong desire to deliver results and accomplish goals, because this type of culture is focused on the external environment, customers and profits take precedence over employee development and satisfaction. Employees in market culture also are expected to react fast, work hard and deliver quality work on time.

1.2 Problem Statement

Nowadays, competition in global level that getting competitive especially in for Small and Medium Scale Enterprise (SME) in Malaysia is very fast but the process of developing product itself is very low compare with another country, such as China. SMEs should explore new opportunities, penetrate new markets and maintain market share to survive in the current situation. Technology become outdated very fast and the local SMEs must upgrade their product and the skill of the workforce.

This study will help to identify the determinants of internal business success factors for Small Medium Enterprise (SME) based on Organization Culture.

The research questions of this study are:

1. How the organization cultures give impact on quality of product?
2. How the development of a new product is influence by working culture?

1.3 Research Objective

- To examine the impact of organization culture to increase the quality of product.
- To evaluate and develop an appropriate culture that influence on development of a new product.
- To find out the effectiveness of culture in organization to improve the creativity and innovation of products performance.

1.4 The Scope Of Study

The scope of the study for this research paper will focus on the organization culture that influences creativity and innovation of product for Small Medium Enterprise (SMEs). The study will be conducted on internal and external culture and the importance of organization culture to contribute the success of Small Medium Enterprise (SMEs) industry.

The study has several limitations. The study used a limited sample with the focus only for Small and Medium Scale Enterprise (SME), the result may not appropriate for large or international company that provide a same product.

The result also limited to the food sector due to the focus area is on food industry. Therefore, the result for this research may not be acceptable used for study in other area of SME in Malaysia. Future researches may test the influences of organizational culture for international and franchise industry.

1.5 Importance Of The Project

In the globalization market, demand for the fast food is growing in response to increasing participation of women in the labor force and changes on lifestyle. Fast food includes canned food, frozen pastries, freeze-dried meats and complete frozen or instant meals.

Beside, internal and external culture that implement the attention for what going on inside and outside the organization that conduct by Hierarchy Culture, Clan Culture, Adhocracy Culture and Market Culture is very important to develop a quality of product. The fast food on SME needs to more creative and innovative to fulfill the customer demand where it helps government to reduce the import value on food and increase the Gross Domestic Product (GDP).

Basically, the success of organization determine much of the group's behaviour, the rules and norms that are taught to newcomers in a socialization process that is a reflection of culture.