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I/we hereby declare that I/we have checked this project report and in my/our opinion this project is satisfactory in terms of scope and quality for the award of the award of the degree of Bachelor of Technology Management (Innovation) with Honours.

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THE RELATIONSHIP BETWEEN THE INNOVATIVE ORGANIZATIONAL
CULTURE AND THE ORGANIZATIONAL PERFORMANCE
IN THE MINISTRY OF EDUCATION

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DECLARATION

I hereby declare that the work in this report is my own except for quotations and summaries which have been duly acknowledged. The thesis has not been accepted for any degree and is not concurrently submitted for award of other degree.

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DEDICATION

To my beloved family especially my parents, Abu Hassan Bin Zainudin and Rohaya Binti Mahat. My brother and sisters, Dinie Zulhafiz, Daniyah Izzaty and Dhamirah Insyirah for giving me positive comments and feedback in completing this research. Thank you for raising me with full of education and without all of you, I am nothing. Not to forget, thank you to my admirer who always giving me support whenever I felt weak

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ABSTRAK

Kajian ini merupakan kajian tentang hubungan antara budaya organisasi yang inovatif dengan prestasi organisasi di Kementerian Pendidikan Malaysia. Terdapat beberapa faktor yang boleh mempengaruhi prestasi sesebuah organisasi. Kajian ini dilakukan untuk mengkaji hubungan antara budaya organisasi yang inovatif dengan prestasi organisasi. Objektif kajian ini adalah untuk menentukan hubungan budaya organisasi yang inovatif dengan prestasi serta menentukan hubungan antara Kumpulan Inovatif dan Kreatif (KIK) dengan tingkah laku pekerja dalam sesebuah organisasi. Penyelidik telah memberi tumpuan lebih pada Kumpulan Inovatif dan Kreatif (KIK) di dalam organisasi. Dengan melaksanakan Kumpulan Inovatif dan Kreatif (KIK) dalam organisasi, penyelidik ingin mengkaji apakah hubungan antara prestasi organisasi dengan kelakuan pekerja sesebuah organisasi. Kaedah kuantitatif akan digunakan dalam kajian ini dengan menggunakan data deskriptif yang mudah dan analisis data inferensi. Penyelidik akan menguji hipotesis dengan melakukan kajian dan menyerahkan borang soal selidik kepada responden. Keputusan kaji selidik itu akan dianalisis untuk menghasilkan data muktamad. Data analisis akan digunakan untuk membuktikan sama ada hipotesis penyelidik boleh diterima atau tidak. Ringkasnya, budaya organisasi yang inovatif mungkin berhubung dengan prestasi organisasi. Kajian ini kemudian akan menunjukkan sama ada budaya organisasi yang inovatif mempunyai hubungan dengan prestasi organisasi atau tidak.

ABSTRACT

This research is the study of the relationship between innovative organizational culture and the organizational performance in the Ministry of Education. There are several factors that could affect the performance of an organizational. This research is being done to study the relationship between innovative organizational culture and the organizational performance. The objective of this study is mainly to determine the relationship of the innovative organizational culture and the performance and to determine the relationship of innovative and creative circle (ICC) to the employee behaviour in the organization. Researcher have focused more on the innovative & creative circle in the organization. By implemented the innovative & creative in the organization, what would be the relationship to the organizational performance and the employee behavior as well. The quantitative method that will be used in this research by using a simple descriptive data and an inferential data analysis. Researcher are going to test the hypothesis by doing a survey and hand out questionnaires to the respondent. The results of the survey will be analyse to produce the final data. The analyse data will be used to prove whether the researcher's hypothesis can be accepted or not. In a nutshell, the innovative organizational culture might be related to the organizational performance. This study will later show whether the innovative organizational culture might be related to the organizational performance or not.

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CHAPTER 1

INTRODUCTION

1.1 BACKGROUND OF STUDY

Generally, the performance of an organizations were actually influenced by a few elements such the Inputs (context, key success factors, etc), Organizational Culture, Design Factors (technology used, structure, people, process, jobs/tasks, etc) and the output/ outcomes of the organization and one of the components is the organizational culture. The organizational culture are consist of the leadership, symbols, Values, Heroes and rituals.

Nowadays, there are many organizations that have attempted to manage their performance by using the “Balanced Scorecard” methodology where performance is measured in multiple dimensions which are financial performance, customer service, employee ‘stewardship’ and social responsibility. In social responsibility, this includes corporate citizenship, community outreach, organizational culture and etc. The performance of the organization may be influenced by several factors. Some of the factors are the leadership, the market strategy and the organizational behavior

According to Romuel B. Nafarrete (2003) the culture of an organization is one of an important factor to be consider during analysis. This is said to be because It is the way the organization conducts business. Culture “drives the organization and its

actions. It is somewhat like an 'operating system' of the organization. It guides how employees think, act and feel. It is dynamic and fluid, and it is never static.

Culture represents norms and values of a system. A culture may be effective at one time, under a given set of circumstances and ineffective at another time." Hagberg and Heifetz (2002) Analysts must study culture "to maximize its ability to attain strategic objectives, the organization must understand if the prevailing culture supports and drives the actions necessary to achieve those goals." (Ibid)

According to Richard W. Scholl et al. (2003) a single definition of organizational culture has proven to be very elusive. No one definition of organizational culture has emerged in the literature. One of the issues involving culture is that is defined both in terms of its causes and effect. For example, these are the two ways in which cultures often defined.

THE FUNCTION OF ORGANIZATIONAL CULTURE

An organization's culture performs certain social functions, some of them intended and some of them are unintended. Just like the organizational structure, culture is very difficult to observe, or measure. There are some cases where culture supports or reinforces structure, in others it conflicts with structure. In another situations, cultures acts as a functional alternative to reducing behaviour variability in an organization (Richard W. Scholl et al, 2003).

Behavioural Control

One of the function of organizational culture is act as a behavioural control. Most systems of social organization attempt to control the variability of member behaviour. This is because, the social systems need to limit certain behaviours and encourage others. When an organization setup their rules, procedures and standards along with various consequences for compliance and non-compliance. This system of formalization is part of the organization's formal structure (Richard W. Scholl et al, 2003).

1.2 PROBLEM STATEMENT

There was an increase in the attention paid to the organizational culture as an important role to the organizational success in 1980's. Numerous experts starting to argue whether by developing a strong organizational culture is essential for the success of the organization.

While the connection between the innovative organizational culture and organizational effectiveness is a long way from sure, there is no denying that every organization has a special kind of social structure and that these social structures drive a significant part of the individual behavior where we can see in each organization.

Not every organization have their own cultures. Each of the organization might have different culture that helped them in order to achieve success. Some of them may not believe that the organizational culture are one of the key factor for their success.

After all, the innovative organizational culture might have something to do with the way an organization develop their performance. In a nutshell, the innovative organizational culture play an important role in organizational performance.

1.3 RESEARCH QUESTION

There are few studies conducted on the relationship between Organizational Culture with their Performance and also the most significant function of Organizational Culture that contribute to the organization. Informed by above problem statement, this research explored the following key questions:

1. How an innovative organizational culture might be related the organizational performance?
2. How the innovative and creative circle module might be related with the employee behaviour ?

1.4 RESEARCH OBJECTIVE

In order to achieve the underlying purpose, it is essential to determine the objectives of the study. The objective of this study is mainly to determine the relationship of the innovative organizational culture and the performance and to determine the relationship of innovative and creative circle (ICC) to the employee behaviour in the organization. I have focused more on the innovative and creative circle (ICC) in the organization. By implemented the innovative & creative in the organization, what would be the effect on the organizational performance and the employee behaviour as well.

This study will later show whether the innovative organizational culture might influenced the organizational performance or not.

1.5 IMPORTANCE OF THE RESEARCH

The significant of the research is that the innovative organizational culture is one of the factors that could influenced the organizational performance. With this research, the organization will be aware about the benefit of having an innovative & creative circle in the organization. If this culture is being applied in an organization, this culture will turns into a positive behavior of employees which could give a long term benefit to the organization that is may increase the productivity. A good organization would have an increasing productivity from time to time. That can be includes as the organizational performance as well. Other than that, when this culture become a habit, this innovative and creative thinking can be develop among all employee in the organizational which can increase and maintain the productivity.

1.6 SUMMARY

This research is about the relationship between the innovative organizational culture and the organizational performance.

| Research question | Research Objective |
|---|--|
| How an innovative organizational culture might influenced the organizational performance? | To determine the relationship of the innovative organizational culture and the performance |
| How the innovative & creative circle module might affect the employee behaviour? | To determine the relationship of the innovative & creative circle module to the employee behaviour in the organization |

Table 1.1 : Research questions and research objectives

Innovative organizational culture plays a very important role to the organizational performance. Innovative & creative circle will led to the great achievements to the organization. As we know the performance of an organizational affected by a several factors. One of the factors is an innovative organizational culture. In order to sustain high performance in the organization, the innovative & creative circle should maintain their involvement in the organization. This research developed not only later will benefit the people in the organization, but also benefit all the organization around Malaysia who is looking forward to improve their performance by using innovative & creative circle in the future.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

By the critical review of the literature was necessary to help the researcher to develop a thorough understanding of insight into previous work that relates to the research questions and objectives. The review will set the research in contact by critically discussing and referencing work that has already been undertaken by drawing out key points. This chapter will discuss about the literature review. The researcher obtains literature review from several sources such as book, journal and article. Researcher begins the chapter by reviewing the available theory and follow by the application of the theory.

2.2 ORGANIZATIONAL CULTURE

First of all it is assumed that organizational culture is directly related to performance but the study conducted by Ogbinna and Harris (2000, 2002) shows the opposite: the only variable that had a purely direct effect on performance was innovative culture while the competitive culture had both a direct and indirect effect.

Moreover measures of bureaucratic and community culture had a purely indirect effect on performance. Also, except for a few studies (Marcoulides and Heck, 1993; Ogbinna and Harris 2000, 2002), all the other studies that examined the culture-performance link failed to discuss the influence of other variables such as organizational structure or leadership. For this reason the future investigations of this relationship have to take into consideration and remove the effect of other factors (Scott et al., 2003).

Ferraro (1998) defined organizational culture as everything that people have, think, and do as members of their society. It is the basic criteria of social behavior and integrated action. Organizational cultures represent the character of an organization, which directs its employees' day-to-day working relationships and guides them on how to behave and communicate within the organization, as well as guiding how the company hierarchy is built (Ribiere and Sitar, 2003). Every individual is unique and is equipped with different characteristics and behavioral styles. This is also true for business organizations, which have unique cultures that influence the organizational operations (Chang and Lee, 2007).

Organizational structures, routines, command and control expectations, and operational norms also have a strong impact. Organizational culture comprises acknowledged practices, rules, and principles of conduct based on certain circumstances that are general rationales and beliefs (Bailey, 1995). Thus, organizational cultures closely influence a group of people who have been working in the same team for a certain period of time.

2.3 ORGANIZATIONAL PERFORMANCE

Organizational performance can be defined as the actual output or results of an organization as measured against its intended goals or objectives.

According to Richard et al. (2009) organizational performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc.); and (c) shareholder return (total shareholder return, economic value added, etc.)

Germain et al. (2001) stated that performance control can be of two types:

1. internal performance, which is related to issues such as costs, product quality, and profit levels; and
2. benchmarked performance, which is related to comparing costs, quality, customer satisfaction, and operations to a benchmark of the industry or its leaders.

Chakravarthy (2010) found that classic financial measures (such as ROE, ROC, and ROS) are incapable of distinguishing the differences in performance between firms. Fliaster (2009) argued that the strong orientation of the executive culture affects the financial performance measures. This shows that culture can be used in measuring corporate performance.

Cotora (2007) indicated that it is not possible for a performance measurement system to measure corporate performance or to analyze the pattern of value creation without identifying the inter relationships and the conversion process among situations, contexts, and intangible values such as knowledge, competencies, and partnerships.

In order to consider both financial and non-financial measures, Maltz et al. (2003) proposed five performance indexes – i.e. financial performance, market/customer, process, people development, and future – to evaluate corporate

performance. This study adopts the five performance indexes proposed by Maltz et al. (2003) to evaluate corporate performance.

According to Mikkel (2010), the changing nature of innovation demands closer collaboration between R&D and Marketing. The problem is that the very nature of innovation is changing dramatically in most companies. Innovation is no longer confined to product development only. It is also a matter of creating new services, business models, partnerships, customer experiences, and performances. The market has rewarded those companies that can innovate multiple dimensions simultaneously.

In any way, a navigation tool, like a model, may help a lot in driving a company for high growth. Yet, a navigation tool should not only tell you where you are but also show you where you should be going. In order to perform this, **the Value Innovation Development (VID) Model** is suggested (Bruno, 2005). The VID model is a comprehensive approach to market and value innovation – based corporate management, on two levels, enablers (essential conditions) and processes (customer oriented), aiming at assuring a strategic and articulated logic across the company businesses, designed to increase its market value, achieved through the interaction of technology, market and organization abilities. The model is based on the evaluation of nine major dimensions divided in two groups:

- 1) Essential conditions – encompassing “strategy”, “processes”, “organization”, “linkages” and “learning”; and
- 2) Customer – oriented processes – involving the processes of “understand” markets and customers, “create” superior customer offerings, “gain” profitable customers, and “retain” profitable customers.

2.4 INNOVATIVE ORGANIZATIONAL CULTURE

The organizational culture is generally defined as the behaviour of human within an organization and it does mean that people attach to those behaviours and become their work habit. Some says that culture are actually includes the overall organization's vision, values, norms, systems, symbols, language, assumptions, beliefs, and habits.

Organizational culture affects the way people and groups interact with each other, with clients, and with stakeholders. Ravasi and Schultz (2006) stated that organizational culture is a set of shared mental assumptions that guide interpretation and action in organizations by defining appropriate behavior for various situations. Although a company may have its "own unique culture", in larger organizations there are sometimes conflicting cultures that co-exist owing to the characteristics of different management teams.

Organizational culture may affect employees identification with an organization. Schein (1992), Deal and Kennedy (2000), and Kotter (1992) advanced the idea that organizations often have very differing cultures as well as subcultures. According to Needle (2004), organizational culture represents the collective values, beliefs and principles of organizational members and is a product of such factors as history, product, market, technology, and strategy, type of employees, management style, and national culture.

2.5 THEORITICAL FRAMEWORK

Based on the literature review on the previous section, the framework for the study was developed and shown in figure 2.2. The major objectives for the study are to determine the relationship between the organizational culture and the performance.