

# HOW TO CREATE A SUSTAINABLE INNOVATION CULTURE?

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**Abstract-** Innovation in the organization is currently demanded to raise the competitiveness between organizations in the era of globalization. The study was conducted using two different approaches to know how innovation culture created in the organization. First, a qualitative study by conducting a focus group discussion with resource person from three industrial sectors. It was found from the discussion that innovation culture in the organization will be established if there is an intention to innovate and an employee engagement from the members. In order to confirm the discussion result, a qualitative approach study was conducted. Sampling was done in 250 respondents who were employed in three different industrial sectors. It was concluded that the intention to innovate was influenced by working condition, support from the organization, and employee engagement, while not influenced by critical situation. Moreover, the intention to innovate together with the employee engagement give influence to the innovation culture in the organization. The result of this study can be used as a reference to establish an innovation culture in the organization.

**Keyword:** innovation, sustainability, organization, culture, competitiveness

## I. BACKGROUND

The effort to raise the competitiveness has been a main concern of organization to be more adaptive and competitive in a competitive condition. Globalization is increasingly recognized as a threat as well as a chance that should be anticipated by the organization by strengthening their internal environment to achieve their potential competitiveness. Geographical obstacles have been successfully overcome with the advancing information technology and transportation, and allowing the opportunities to the organization to operate in areas that were no longer limited by traditional boundaries of a country, and also more open by the overcoming political obstacles that previously limiting the operational rate of organization. In addition, this condition also brings the organization to face varied challenges, and one of the challenges is to conduct a continuous innovation to create competitiveness.

This study was conducted to assess how an innovation created and how to maintain this innovation spirit continuous and become a culture in every activity of the organization. Creating an innovation culture and maintaining it to become sustainable may trigger improvements and developments of working system which can increase efficiency and effectiveness of the organization thoroughly. Thus, eventually it will raise the competitiveness of organization in the globalization era.

## II. INNOVATION AND ORGANIZATION

In general, innovation is frequently understood as a process to create something new or a process to significantly develop something existing, such as goods, service, or a working procedure of organization. According to Williams and McQuire (2005), innovation can be viewed as a process

consists of two stages, e.g. initiation and implementation of innovation. These two stages showing that involvement from the organization members is required to initiate the process before the innovation is implemented in the business process (Glynn, 1996; Nakata and Sivakumar, 1996).

Because it involves the organization members, Gaynor (2002) stated that innovation can be placed as one of element in the organization culture that should be established by manager and directed in accordance with the vision and mission of the organization. By placing the innovation as one of the element in organization culture, thus it can also influence how the attitude of organization running their business process. It is also aligned with Govindarajan da Kopalle (2004) who stated that organization culture which allowing and developing continuous innovation is more able to give certainty to the organization to always have potential competitiveness.

The process to place innovation as an important element to the organization culture, according to Martins and Terblanche (2003), will be successfully performed by conducting two strategies, e.g socialization process and structural approach. The first strategy, socialization process, is performed in the organization by directing the members to well-understand the norms and values of organization, and also how the innovation performed can be aligned with those norms and values. The second strategy, structural approach, is performed to assure that innovation process is adequately supported by organization e.g by providing supporting rules, appropriate policies, or procedures that relevant with the innovation process. Gaynor (2002) also stated that this innovation element is used to encourage organization members to search for their unique potentials to assure that the organizational business process is running accordingly. Furthermore, a measurement of the performed innovation is required to confirm that the undergoing process is relevant and beneficial.

## III. EMPLOYEE ENGAGEMENT

To define an employee engagement is not easy. According to Perrin's Global Workforce Study (2003), employee engagement is defined as willingness and abilities from the members to help their organizations to reach success or pre-set plan by performing a continuous effort. In addition, employee engagement is influenced by two factors, i.e. emotional and rational factor which related with scope of work and experience from the members.

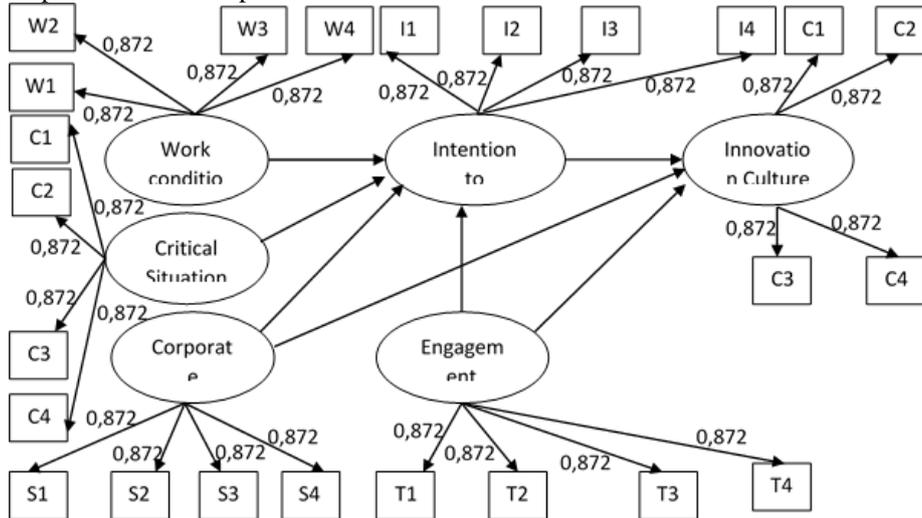
Britt et al. (2001) stated that a strong relationship between members and their organization to conduct a meaningful activity, may encourage positive perception from the activity. This relationship, according to Harter et.al (2002), might be seen from turnover of organization member, stakeholder satisfaction, loyalty level, low number of accident, which will be revealed on the profit level of organization. The strong relationship between members and



**Table 1. Result of Reliability Test**

Variables	Cronbach Alpha Value	Note
Work Condition	0,818	Reliable
Critical Situation	0,852	Reliable
Corporate Support	0,796	Reliable
Employee Engagement	0,862	Reliable
Intention to Innovate	0,734	Reliable
Innovation Culture	0,821	Reliable

A calculation by using Structural Equation Modelling (SEM) was performed in this study according to Byrne (2001) that SEM is able to describe a causal process with multiple variables at once. The structural model of this research is below:



**Fig 2. Measurement Model**

According to the measurement model, it was shown that all factors used were valid because they have an adequate factor loading above 0.50.

**Table 2. Measurement model**

Variable	Indicator	Standardized Factor Loading	Note
Work Condition	Attention from supervisor (W1)	0,872	Valid
	Communication with partner (W2)	0,632	Valid
	Birokrasi (W3)	0,864	Valid
	Teamwork (W4)	0,722	Valid
Critical Situation	Business Process effectiveness (C1)	0,587	Valid
	Budget efficiency (C2)	0,721	Valid
	Procedures (C3)	0,689	Valid
	Product Improvement (C4)	0,620	Valid
Corporate Support	Reward and Benefits (S1)	0,891	Valid
	Acknowledgement (S2)	0,782	Valid
	Incentives (S3)	0,870	Valid
	Funding (S4)	0,641	Valid
Engagement	Involvement (T1)	0,810	Valid
	Sense of Belonging(T2)	0,620	Valid
	Trust (T3)	0,582	Valid
	Connectiveness (T4)	0,701	Valid
Intention to Innovate	Iniciatives (I1)	0,680	Valid
	Idea Generation (I2)	0,772	Valid
	Self Project Assignment(I3)	0,735	Valid
	Collaboration (I4)	0,814	Valid
Innovation Culture	Shared Value (C1)	0,620	Valid
	Implementating the idea (C2)	0,782	Valid
	Habit (C3)	0,753	Valid
	Innovation Autonomy (C4)	0,695	Valid

Hypothesis testing, shown on the table, was performed using structural model and to see the clinical ratio, where there are two hypothesis that were accepted and three were not accepted because of the value which was below +1.96 for the level of confidence of 95%.

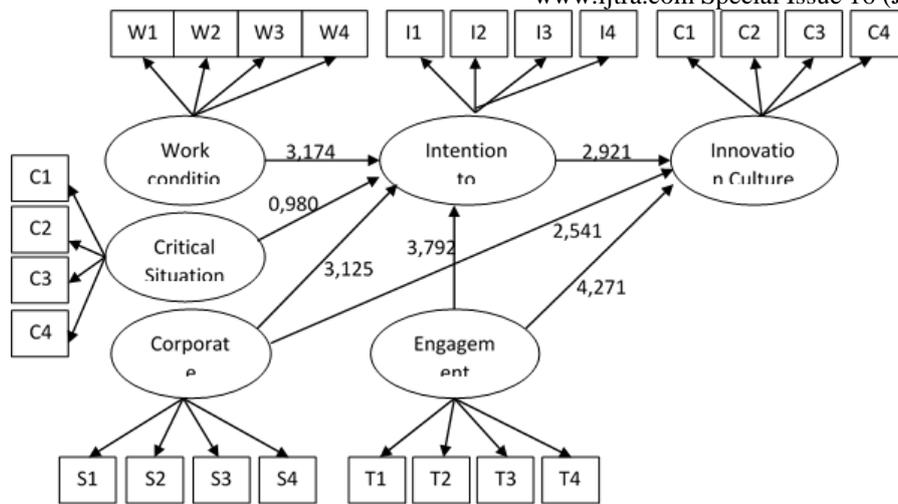


Fig 3. Structural model

Furthermore, the result of hypothesis testing can be shown in below table:

Table 3. Hypothesis testing

Hypothesis	T value	Note
The condition of working environment has positive influence on the intention of the organization member to innovate (H1)	3.174	Hypothesis is accepted
Critical situation has positive influence on the intention of organization member to innovate (H2)	0.980	Hypothesis is not accepted
Organization support has positive influence to the intention of organization members to innovate (H3)	3.125	Hypothesis is accepted
Employee engagement has positive influence to the intention of the members to innovate. (H4)	3.792	Hypothesis is accepted
Intention to innovate has positive influence to innovation culture.(H5)	2,921	Hypothesis is accepted
Corporate support has positive influence to the innovation culture. (H6)	2,541	Hypothesis is accepted
Employee engagement has positive influence to the innovation culture (H7)	4,271	Hypothesis is accepted

### V. ANALYSIS

According to this research, the intention of organization member to innovate was apparently influenced by three variables, i.e. the condition of working environment, organization support, and member engagement. Attention from supervisor to the performance of his member may overcome the formal bureaucracy obstacles to allow the cooperation and communication between members established with a better emotional bonding. The consequence of this condition is the emergence to develop and self-improve, thus encourage the initiatives to do innovation.

The intention to innovate emerged as a consequence of conducive working environment was also proven to be influenced by organization support. A relevant reward as a consequence to the performance will encourage the members to improve their performance and results in the emergence of innovation which encourage the performance improvement. Incentives as a reward for members who did the innovation were also required in order to allow the member to directly get the benefit from their innovation effort. Nevertheless to encourage the intention to innovate, especially for big scale of innovation effort, financial support is also needed as a support from organization.

Sense of belonging is also enhanced in the organization in order to grow the intention to innovate in the members. Members feel that they are recognized and having

a role in the organization development that they believed. A belief that organization development will bring a benefit to the members has shown to encourage the emergence of the intention to innovate. However the intention to innovate in an organization was not emerged because of its member realize that there is critical situation happened in the organization itself. Critical situation, such as ineffective business process, inefficient utilization of budget, a formal and very long procedure, and a below optimal product quality, does not encourage the organization member to innovate.

The reluctance of organization member to innovate because of the critical situation might be happened because they realized that to do innovation, relevant with the critical situation, requires a long planning and strategic support from the top level management. Innovation in the critical situation is also related with the changing in working procedure, achievement, and quality standard utilized by the organization which results in requiring more person to do the needed innovation. This issue has become an obstacle and resulting the intention to innovate from members is blocked.

The intention to innovate which is facilitated and repeated, structured with organization support, and with a good employee engagement, will encourage the emergence of organization culture, i.e. innovation culture. The intention to innovate which involves more members will be a strong

foundation to the innovation culture as the innovation will be a common value and agreed by all the organization member. This innovation spirit will continuously grow in organization as it is believed may help the organization to achieve its goal, and members will voluntarily perform the repeating innovation in every field of their work independently.

## VI. CONCLUSION AND DISCUSSION

This study found that the intention to innovate in an organization was influenced by the conducive working environment, organization support, and engagement from its members. Another finding is that the innovation culture in an organization may be created and continuously if the intention to innovate from the members has emerged and received support from organization and from its members. In addition, this study also found that the awareness of members regarding critical situation in the organization has not encouraged them to innovate because they realized that a bigger strategic support is needed for the innovation to overcome critical situation.

There are several managerial implications from this study. Organization might be able to establish a continuous innovation culture by developing employee engagement and growing the intention to innovate from its members. Enhancing employee engagement may be started by involving members more thoroughly in every formal and non-formal activities performed by the organization. A good involvement will grow close relationship between members and their organization results in a good sense of belonging within the members.

The intention to innovate might also be grown by creating a conducive working environment in order to achieve innovation process. Thus, working environment that should be built is related with the working condition, relationship among members, and relationship between member and the supervisor. Evaluation of bureaucracy is also required to achieve an efficient and effective working process, if necessary. However, in order to raise the intention to innovate a support from organization is needed. A system of remuneration and compensation is required to be directed to encourage the members to innovate, which should also be supported by a good funding if the innovation held in a big scale. Organization is also required to develop an incentive system as a financial reward to its members who performed the innovation in spite of an acknowledgment to the members who has contribution in innovation.

## VII. LIMITATION AND FURTHER STUDY

This study has limitation in terms of number of industry and organization involved. The industries involved in this study were only engaged in service, manufacture, and energy sectors, which represented by 50 resource person. The number of respondent groups were also limited with non-probability sampling method resulting this study is not able to be generalized. Even though the number of respondents involved was not considered big, but it was still adequate for the analysis type used.

This study has also the potentials to develop in order to know the dynamic of innovation in organization further. Another variables related to innovation, such as role of leader, leadership style, and quality perception should also be reviewed further to obtain a better knowledge about innovation.

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