Effects of national culture on organizational innovativeness

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ABSTRACT

In today's dynamic world where innovation is central to organizational long-term success, national culture shaped the behavior of individual and organizations which in turn affects their innovative capability. This research has analyzed the Hofstede's cultural dimensions effects on organizational innovativeness. We have based our study on the dimensions which are taken form Hofstede's model, which included; Power Distance, Masculinity versus Femininity, Long & short term approach, Avoidance to uncertainties and Collectivism. We have aggregated data form 350 differential organizations which belong to various sectors of Pakistan. We have utilized Structure Equation Modeling technique to examine and interpret data. The study has found, higher power distance and uncertainty avoidance are having distressing relationship with organization innovativeness. On the other hand collectivism, short term approach and masculinity are having significant relationship impact with organizational innovativeness.

Introduction

The increasing demands of globalization, competition and consumers has made business environment very dynamic. This dynamism requires organizations to continuously innovation and offer value added products to consumers and develop some competitive advantage. Innovation is effected by national culture and countries with different cultures ranked accordingly on innovation index. Culture is an international phenomenon; it is impossible for organization to survive in this world without culture. Culture is driven by political, social, lawful and spiritual values, morals and tradition which are inherited in the society. It shapes the behavior so that individual can act consequently in dissimilar situations in all cyclic of life. Cotgave (1978) viewed culture as shared system of norms and values.

Organizational culture has certain misconception with national culture. It should not be mislead with a term National culture. National culture is particularly different. Organizational culture categorizes identical breed of group within same country, while the National culture characterizes parallel sort of citizens, group and communities in the globe. Businesses are not operating in hallow world, they must have social and cultural atmosphere. These surroundings then influence the performance of a person and organizations. Most researches have been paying attention on executive level culture and its influences on organizational conduct. This study has been analyzed to fulfill the gab by investigating the effect of national culture on organization innovativeness.

Organization does exist in hallow world, but they flourish in specific social and cultures settings. Numerous researches have been carried out to examine the effects of cultural impact. But less attention is given to see the influence of national culture on groups and individuals which are taken as an account of organizations. This paper has been design to fulfil this distance, by scrutinizing the consequence of culture on organizational innovativeness.

The study has been focused on certain agenda:
- To elaborate the characteristics of Pakistani national culture.
- How does it influence organizational innovativeness?

Figure1, represents the national culture Pakistan having high points of power distance dimension. The differential level of social classes existed in the society. There is uneven allocation of assets. Differential types of standard of living, edification, medicinal and residential amenities are enjoying by high level of society. We can find little individualism and high collectivism in the society. Groups are recognizing on the origin of their societal levels, through their cast system and religions. Ascendency of masculinity exists in the society. There is a high level of uncertainty avoidance which explains the behavior of individual who have aversion to risks. INSEAD report has also confirmed it. In its recently published edition of international Innovation Index 2008-2009, this scales innovative economies of the world. It has ranked Pakistan at 93 out of 130 countries. Pakistan has short term orientation, which is visible through the adhoc policies of government. Lack of long term approach has caused disastrous crises of electricity, water, sugar, patrol, gas, and like wise.

Figure I: Geert Hofstede's – Pakistan's Cultural Dimensions
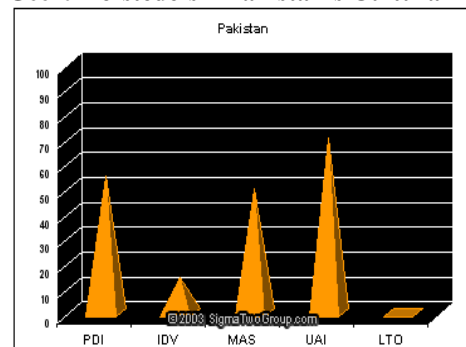
In figure 1, power distance and uncertainty avoidance shows on high rank, which shows that the culture is completely gauge by laws, regularities and governmental controls. These uncertainties are being imbalanced by power and wealth. According to the INSEAD Business school report, Pakistan has been ranked at number 84 among a total of 110 countries of the world. Pakistan's culture is having cast system domination which disintegrates member of groups with each other. This social stratification has disheartened intermingling of different groups of society and forced people to spend their lives in their own circles. Pakistan is also having low literacy rate, multiple languages are used in the country which is also cause communication barrier and discourages innovation, and the economic conditions are also not supportive to assume risks which is mandatory to produce new products and ideas. The political uncertainties and frequent application of Marshal Laws has also kept the country away from true democracy.

The endeavor of this study is to classify Pakistan's culture and to scrutinize its influence on the cultural dimensions, studied by Hofstede.

Theoretical Review and Development of Hypothesis
Power Distance

There is no end of the definitions which defines National culture. But people take it as concept that individuals of any nations have continuing outline of actions and traits characteristics. Investigations have been carried out to see how it impacts individual and organizational lives. For example; Lawrence & Reudi (1970); Laurent (1983); Hall (1976); Aldrich and Marsden (1988); Blunt and Jones (1992); Jones and George (1996); and Inglehart and Baker (2000), frazzel the significance of all cultural research, have been carried out by above researchers. But Hostede's involvement in identifying cultural dimensions is most frequently cited. Its willpower of the work is central heart of our research. Hofstede affirmed culture as combined group of effort, that discriminate one group to another. We have based our work on this origin. The dimensions that we have taken into our account are: Masculinity, Uncertainty avoidance, distant power, long term approach, which are being taken into account on the center of the examination of 88,000 employees across different nations. Following have been elaborated in detail.

Distant Power

Power distance is degree of less powerful constituents who are willing to recognize and presume power which is equally detached. It shows the level of dissimilarity in the groups and influential members. Authority and inequality are considered to be the primes of a society.

Uncertainty Avoidance

Cultural patience for vagueness and ambiguity advert to uncertainty avoidance. It is how an individual seek reality. It portrays how cultures assist in bumpy conditions and give relaxation in contented matters. Pole, being born within this culture is ten to be more different and selfless, and not suppose to influence environment.

Masculinity versus Femininity

Masculinity versus femininity submits to the distribution of positions among each individual. It creates essential issues of any community. Masculine society considers being forcible and aggressive while on another hand women have same level of self-efficacy.

Collectivism versus Individualism

Individualism is referred how they are separated into clusters. If we see the individualist part we will assume each one is taking care of their selves only, to particularly involve in their groups and families. On their side, collectivist are bound into groups, they are being recognized on heir basis for groups.

Long Term Orientation

Long versus short term d was lastly invented by a deep analysis of a Chinese scholar, who have design its survey and conduct it in 23 countries through out the world. Long term orientation assumes to be firmness and discretion. Where as value affixed with short term are social obligation satisfaction, caring and high regard for norms. Figure 2 shows the conceptual framework of the analysis.

Figure II: Conceptual Model
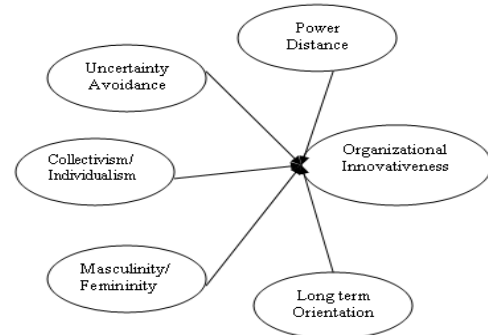
National culture and Organizational Innovativeness

Rogers (1995) state innovation as a concept, a practice and that is perceived to be new. Keeny & Reedy (2007) hold, innovation includes using new products or processes to enhance the compatibility and organizational profits; it also includes new methods for identification of current customer's needs. Organizational innovation measurement is a complex task; different models have been presented in this regard including Oslo Manual published by OECD in 1992 and Muller et al. (2003). Muller et al. (2003) used three views that facilitate organizational innovativeness i.e. resources view, capability and leadership view. The following hypothesis can be generated from above discussion.

Research Methodology
Sample and Sampling

Current study investigates the causal manipulation of national culture on organizational innovativeness. The study uses exploratory technique through primary data. Primary data is collected from 350 corporations with sample size (n=350), belonging to different industries in Pakistan to ensure generalizibility of results. The survey forms were personally distributed and collected by researchers and convenience sampling technique is used for this sake. A total of 235 usable questionnaires were received back with a response rate of 67%.

Data and Analysis

This paper primarily investigates the relation between dimensions of national culture and organizational innovativeness. The data is collected through structured survey questionnaires. The data is entered into SPSS sheet for further analysis into AMOS. The structural equation model technique is used for analysis and test hypotheses. SPSS and AMOS latest versions were used for this purpose.

Measurement and instrumentation

To measure national culture, we have considered it to be an independent variable. The culture scale has been taken from Hofstede (1984). It contains 23 items measured on 5 poing Likert scale. Organizational innovativeness is dependant one and it has also been measured on 5 point Likert scale which contains 5 items. The instrument is opted to gauge innovativeness of the organization is taken from Hurley and Hurlt (1998).

Results and Discussions

This study investigates the causal influence of national culture on organizational innovativeness. The results of model fit are given in Table II. The criteria for model fit is that the values of CFI, GFI and AGFI should be > .90, and RMR should be > 0.05. The statistics meets overall standards required for model fit.

Table III represents the results of hypotheses testing through path analysis with AMOS. In order to accept any hypothesis the value of P should be < 0.05. Our H1 was regarding the correlation between organizational innovativeness and power distance. The value of P in this case is .076 which is higher than .05; we therefore, reject our H1 which means that higher power distance discourages organizational innovativeness. H2 states the correlation between uncertainty avoidance and organizational innovativeness. The value of P is .064 which is also higher than .05, we reject our H2 therefore. This finding is quite logical, because innovation requires risk taking and if uncertainty is avoided in any culture it will lead to lower innovation. Our H3, H4 and H5 are also rejected owing to having values of P greater than 0.05. The study finds that in order to have organizational innovativeness the culture must contain lower power distance, low uncertainty avoidance, no gender discrimination, more individualism and long term orientation.

Conclusion

This research has taken into account with an objective of national cultural effects on organizational innovativeness in Pakistan. It has been found out from the results that higher power distance and uncertainty avoidance have discouraging effect on organizational innovativeness. Although Masculinity have negative effects on organizational innovativeness but it is not significant. Whereas other cultural dimensions such as masculinity, collectivism and short term orientation are having no significant impact on organizational innovativeness in perspective of Pakistan.

The study proposes some consideration to develop organizational innovativeness. Firstly, the power distance must be trim down in the community, so that every one can have identical chance to surpass his/ her talent. Secondly, uncertainly avoidance must be discouraged within the organization and risk taking must be encouraged in order to achieve innovation. Thirdly, masculine forcible power roles must be discourage, so that female capabilities can be utilizes in order to improve the contribution in the progress of the nation. Fourthly, individuals should be advocated to shape each one's innovative ideas, although this is quite debatable, because some people quote the example of Japanese society who proved to be innovative despite of having strong collectivism. Lastly, long term orientation should be refined in order to accomplish better individuals and organizational innovativeness.

The study has proposed some important measure for policy creators, which can be utilized to shape national culture, which must be at its best condition to thrive innovation, global surroundings and to ameliorate organization's innovativeness. This research also presents opportunities to future investigators.

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Table I: Hypotheses Development

	Hypotheses
H1	Higher the power distance higher the innovation would be.
H2	Higher the uncertainty avoidance higher the innovation would be.
H3	High correlation between masculinity and innovation.
H4	High correlation between collectivism and innovation.
H5	Strong correlation between long term orientation and innovation.

Table II: Model Fit Index

Index of fit	Chi-Square (df)	P	GFI	AGFI	NFI	CFI	RMR
Value	17.73	.40	.91	.94	.88	.20	.045

Table III: Results of Path Analysis

Pa	Estimates	S.E.	C.R.	P	Hypotheses	Results
Power Distance – Organizational Innovativeness	.301	.164	1.838	.076	H 1	Reject
Uncertainty Avoidance – Organizational Innovativeness	.430	.237	1.814	.054	H 2	Reject
Masculinity – Organizational Innovativeness	-.045	.094	-.479	.632	H 3	Reject
Collectivism – Organizational Innovativeness	.083	.146	.566	.571	H 4	Reject
Long term Orientation – Organizational Innovativeness	-.096	.178	-.538	.590	H 5	Reject