

EFFECT OF INNOVATIVE CULTURE ON FIRM PERFORMANCE IN MULTINATIONAL COMPANIES IN PORT HARCOURT

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Abstract

This work examined the effect of innovative culture on firm performance in Port Harcourt, River State. The study was anchored on Resources based-view theory. Relevant conceptual, theoretical and empirical literatures were reviewed. The study adopted survey research design. The population of the study constituted one thousand eight hundred and seventy five employees from two selected multinational companies in Port Harcourt. The sample size for the study is 330. Innovative culture was employed as the independent variable while firm performance was employed as the dependent variable. The data generated through questionnaire were analyzed using multiple regression analysis. The study found that innovative culture has significant effect on firm performance. The study contends that innovative culture help firms to explore new resources, break through existing norms, and create new opportunities to improve its performance. The study recommended that innovative culture should be encouraged in multinational companies in Port Harcourt since they were found to have significant effect on firm performance.

Keywords: Innovative Culture, Firm Performance

Introduction

As the business world becomes increasingly complex and still more astonishingly competitive, companies are turning to innovation as one of the few durable sources of competitive advantage. Innovation is now among the top priorities for the majority of the world's large companies. The necessity of innovation is now universally accepted, but beyond their enthusiasm for bright ideas, most leaders know that to be successful over the long term they have to develop a strong innovation culture (Quy, 2018). Such a culture can be recognized as an organization that is known externally in the marketplace as a genuine innovator, and equally that it is known internally among the people in the organization as a dynamic, innovation friendly place to be. Organizations that have attained this culture produce innovations of all types - breakthroughs, useful incremental changes, and even radically new ways of doing business, and they do so with regularity (Muriel & Buisine, 2018).

The importance of innovation for business success is well understood and numerous researches have shown that there is a positive relationship between innovation culture and performance (Birkinshaw, Bouquet & Barsoux 2011). Innovation culture reflects shared values, beliefs and behavior influencing innovation (Dobni, 2008). Several studies have shown that there is a link between innovation culture and performance. Innovation can be seen in two stages (Koen, Ajamian, Burkart et al., 2001). The front end of innovation is where ideas are generated, shaped, and the best ones selected for further development (Selart & Johansen, 2011). At this stage, the environment needs to be open minded, creative, supportive and driven by the desire to learn. Management support and engagement, the organization's infrastructure and access to resources have an impact on innovation performance (Girotra & Terwiesch, 2010). At the back end of innovation, the best ideas are developed, prototypes made and the new offerings field-

tested. Market and sales plan are formulated and the new offerings are finally put to market. Performance at this stage depends on how quickly the organization can implement, how swiftly decisions are made, and how well processes are defined and coordinated. Success at this stage depends on discipline, coordination, and pace (Borjesson & Elmquist, 2011). Fostering new ideas, and supporting creativity demands different kind of environment and culture, compared to putting products to market and generating revenue (Jansen, Vera & Crossan, 2009). Thus, the relationship between innovation culture and performance can be different for the two stages.

The relationship between innovation and business performance has been well documented. Peter Drucker was among the first to highlight this relationship, and argue that marketing and innovation are the only contributors to increasing revenues of firms, but everything else in management is related to increasing costs. The importance of responding quickly to market needs has increased, mainly due to increased competition, transparency of information, increased power of consumers due to social networks and the Internet. The impact of innovation on business performance is not only linked to innovation in products and services, but to any part of the value chain, including innovation in business processes, pricing, business models, etc. (Birkinshaw, Bouquet & Barsoux, 2011).

Furthermore toward the direct impact on performance, innovative culture is a critical precondition to a successful idea management. It creates a willingness to participate in the generation, development and evaluation of ideas, which will have an impact on performance in the front end of innovation (Kliewe, Davey & Baaken, 2013). In addition to its impact on the development of new products and services, innovation culture leads to continuous improvement in business processes (Coughlan et al. 2002), which is very important for the overall performance of innovation, particularly in the back end of innovation, such as research and development processes, prototype and product development. Innovation culture is also important for the integration between the front end and the back end, as in today's hypercompetitive environment, firms need not only to generate ideas, but they also need to be able to implement the ideas fast and efficiently.

In this respect, it is important that all actors involved in the innovation project, from beginning to end, are aware of what is in the pipeline, have a mutual understanding, and that the transmission of information is fast and effective. This requires what has been conceptualized as collective mind, and relates to a pattern of heedful interrelations of actions in a social system, which will create an understanding among actors in the system, that the system consists of connected actions by themselves and others and interrelate their actions within the system. Collective mind will therefore lead to smoother transition between the front end and the back end of innovation, and contribute to the firm's overall performance (Selart & Johansen, 2011). Based on the foregoing, the study examined the influence of innovative culture on firm performance in multinational companies in Port Harcourt.

Review of Related Literature

Innovative Culture

Innovative culture is a firm's orientation toward experimenting with new alternatives or approaches by exploring new resources, breaking through existing norms, and creating new products to improve its performance (Ireland et al., 2006). Such an orientation toward innovation may create a schema with which employees can manage uncertainty and reduce unfavorable consequences (Peng, 2001). The key aspects of innovation culture can be described as creativity, openness and receptiveness to new ideas, risk taking, and

entrepreneurial mindset (De Brentani & Kleinschmidt, 2004). Quy (2018) see an innovative culture as a creative, result oriented, challenging work environment and is portrayed as being entrepreneurial ambitious, stimulating, driven and risk-taking. Brettel and Cleven (2011) define innovation culture as “the degree to which organizations are predisposed to learn continuously and to develop knowledge with the intention to detect and fill gaps between what the market desires and what the firm currently offers.” If it is not supportive of innovation, corporate culture can prove to be an impediment to its implementation (O’Regan & Ghobadian, 2005).

Muriel and Buisine (2018) maintain that innovation culture is a particular configuration that makes innovative thinking natural within the organization and encourages innovation activities at the level of all employees. They further noted that innovative culture has the following specific characteristics; the presence of innovative leaders and managers; the presence of innovative teams; the presence of innovative individuals; an organizational context conducive to innovation; and multiple and easy links with outside of the organization. These dimensions all rest on a foundation consisting of the innovator’s skills or discovery skills (observe, question, network, experiment and associate) that must be disseminated at all levels of the organization.

Employees in firms with strong innovation culture value the contributions of their fellow employees, consider themselves as creative and innovative, and uncertainty is viewed as an opportunity, and not as a risk (Dobni, 2008). Innovation culture includes the intention to be innovative, the extent to which employees are oriented towards learning new ways to do things and thus has an influence on the orientation towards finding new ideas and implementing them. Innovation culture furthermore relates to the infrastructure that supports those behaviors, the composition of the elements of the innovation process, and management commitment towards innovation (Dobni, 2008; Jansen, Vera, & Crossan, 2009). Innovation culture encourages open communication and allows decentralized decision-making.

The behavioral aspect of innovation culture is more market-driving than market driven, indicating that the firm leverages internal-based competencies in their innovation processes which have an impact on innovation performance, particularly in the front end of innovation, as opposed to accessing new ideas mainly through listening to customers (Jaworski, Kohli & Sahay 2000), which is less likely to generate radical innovations and will to a lesser extent contribute to sustainable competitive advantage. Innovation culture creates an entrepreneurial spirit and unites the members of the organization towards innovative behavior, resulting in increased dynamics and flexibility, as well as openness towards the unknown (Carrillat, Jaramillo, & Locander, 2004). Innovation culture does therefore not only foster incremental improvements, and makes the firm more responsive to already existing market needs, but also supports the firm in outperforming its competitors by fulfilling needs that the customer is not even aware of or finding new ways to do things, which will increase the competitive advantage of the firm (Narver, Slater & MacLachlan 2004).

Firm Performance

Performance is equally defined as the achievement of financial and non-financial goals that enables an organization to remain viable and sustainable both in the short term and in the long run (Denison, Haaland, Goelzer & Yilmaz, 2008). Firm performance is the ability for an organization to fulfill its mission through sound management, strong governance and a persistent dedication to achieving specific goals over a given period of time (Stafford & Miles, 2013). Firm performance encompasses ability of an organization to realize its potential or targets overtime. As indicated earlier, in defining organizational culture, senior managers,

usually take the responsibility of guiding and navigating their organizations through various goals with aim of achieving specified or desired performance (Minkov & Blagoev, 2011). Louise (2012) defines firm performance as the ability of an organization to fulfill its mission through sound management, strong governance and a persistent rededication to achieving results, or the effectiveness of the organization in fulfilling its purpose. Firm performance is one of the most important constructs in management research and without a doubt it is the most important measure of the success in any organizations because management is performance driven. Performance refers to the assessment of progress, at different organizational levels, toward achieving predetermined goals (Bourne, Neely, Mills & Platts, 2003).

Smith and Reece (1999) view firm performance as “the organization's ability to meet the desire result as determined by the company’s major shareholders”. On the other hand, it is to determine whether the actual output of an organization is as what has been targeted (Al Qudah *et al.*, 2014). Thus, to achieve high business performance, organizations need to attain and sustain competitive advantages. For this reason, many researchers had argued that strategic planning makes organizations have competitive advantages and the ability to stay in business against competitors. They need to know the correct performance level is important due to it enable the organization to determine its current position and find ways to improve business if necessary. Consequently, the measurement of business performance has captured the attention of many scholars due to its complexity (Suklev & Debarliev 2012; Matsoso & Benedict, 2014). Firm performance can be measure through financial and non-financial performance. Gounaris *et al.*, (2003) asserted that firm performance can be measured bearing four major perspectives in mind viz: financial perspective, customer perspective, internal processes perspective and employee learning growth perspective.

Theoretical Framework

This study is anchored on resources based-view theory. The theory was postulated by Barney in 1986. The resource-based view (RBV) argues that firms possess resources, a subset of which enables them to achieve competitive advantage, and a subset of those that lead to superior long-term performance. Resources that are valuable and rare can lead to the creation of competitive advantage. Resources based-view theory contends that the possession of strategic resources provides an organization with a golden opportunity to develop competitive advantages over its rivals. Barney stated that for resources to hold potential as sources of sustainable competitive advantage, they should be valuable, rare, imperfectly imitable and not substitutable. The resource-based view suggests that organisations must develop unique, firm-specific core competencies that will allow them to outperform competitors by doing things differently. The resource-based view offers strategists a means of evaluating potential factors that can be deployed to confer a competitive edge. A key insight arising from the resource-based view is that not all resources are of equal importance, nor do they possess the potential to become a source of sustainable competitive advantage.

This theory is considered relevant to the study in that in the context of the Resource-Based View (RBV), innovative culture has been considered as valuable, rare and imperfectly imitable. Therefore, it can serve as a potential resource for creating sustainable advantage. This leads to further arguments that innovative culture is one of the key determinants of firm performance. The key tenet of this study is that organizations have different strategic directions in terms of competitive performance and, therefore, managers need to understand which specific culture (i.e. content) will support the achievement of improved performance in the organization.

Empirical Studies

GuoXiang, Kwangtae, Anurag and Feng (2020) investigated the impact of innovation culture, organization size and technological capability on the performance of SMEs in China. The study used data from 1124 SMEs in China and applied regression analysis to test hypotheses. The study found that technological capability and organization size have a statistically positive effect on the performance of SMEs. The study also found that technological capability is positively and statistically significantly related to firm performance in the manufacturing industry but not in the service industry, while innovation culture is positively and statistically significantly related to firm performance in the service industry but not in the manufacturing industry.

Yinghong, Hugh, Ruby and Nan (2013) investigated the moderating role of market information sharing on the impact of innovative culture on individual employees. The study identified three distinct types of individual-level outcomes stemming from an innovative culture. The three outcome variables—job satisfaction, organizational dynamism perception, and firm performance perception—reflect employees' psychological and cognitive reactions to the process of creating organizational innovation and innovative culture. The study collects survey data from 3960 individual employees in China. The findings showed that a perceived innovative culture significantly and positively affects employees' job satisfaction and perceptions of organizational dynamism and firm performance.

Eirikur, Gunnar and Thorhallur (2018) investigated the relationship between innovation culture and innovation performance in Iceland. The population of interest was firms in Iceland with more than 50 employees in manufacturing, retail and services. A total of 265 managers were sampled for the study. Pearson product-moment correlation was employed in analyzing the data. The findings showed a strong relationship between innovation culture and innovation performance. There is a strong relationship between innovation culture and the front end of innovation, and innovation culture and the back end of innovation.

Quy (2018) carried out a comparative study between local and foreign companies located in Ho Chi Minh City in order to determine the relationship between organizational culture and firm performance. 246 respondents from foreign companies and 181 respondents from local companies were sampled for the study. Supportive culture, bureaucratic culture and innovative culture were employed as the explanatory variables while job satisfaction and firm performance were employed as the dependent variable. Descriptive statistics and regression analysis were employed in analyzing the data. The results showed that both supportive culture and innovative culture have a significant and positive impact on job satisfaction and firm performance. The bureaucratic culture has no significant impact. There is no difference between local and foreign companies in terms of innovative culture. For foreign firms, supportive culture is a stronger. For local firms the bureaucratic dominates.

Gulali, Obura and Mise (2018) investigated the effect of organization culture on organization performance on public universities in Kenya. 215 management persons from 11 public universities were sampled for the study. Pearson Product Moment Correlation and regression analysis were employed in analyzing the data. The results indicate that there was a strong positive significant correlation between organizational culture and organizational performance. The study further revealed that organizational values had the strongest unique contribution to the organizational performance, followed by organizational artifacts and finally individual beliefs.

Methodology

The study adopted survey research method. This study was carried out in Port Harcourt, River State. Port Harcourt is a major industrial centre as it has a large number of multinational firms as well as other industrial concerns, particularly business related to the petroleum industry. This area was chosen because of the high number of multinational firms in the area. Two multinational companies were sampled for the study. Primary data were employed for the study. The population of the study is made up of employee of the two selected multinational firms in Port Harcourt. The population of the study is one thousand eight hundred and seventy five. To ensure a clear account for determination of sample size, the statistical formula devised by Taro Yamane (1964) was employed to determine the sample size. The sample size is approximately 330. The instrument that was employed for data collection was questionnaire designed by the researcher. The data generated were analyzed using multiple regression analysis. Multiple regression analysis was conducted to assess the relative predictive power of the independent variables on the dependent variable.

Presentation and Analysis of Data

The Results of the Regression Analysis

Multiple regression analysis was employed to determine the effect of the independent variables on the dependent variable. The essence is to ascertain the effect of innovative culture on firm performance. The results are presented in tables 1 and 2.

Table 1: Summary of Regression Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.174 ^a	.530	.617	3.197	2.745

a. Predictors: (Constant), Innovative Culture

b. Dependent Variable: Firm Performance

Source: SPSS Ver. 21

Table 1 above indicates that R^2 which measures the strength of the effect of independent variable on the dependent variable have the value of 0.530. This implies that 53.0% of the variation in firm performance is explained by variations in innovative culture. This was supported by adjusted R^2 of 61.7%. The Durbin-Watson statistics was employed to check for autocorrelation in the model. Durbin-Watson statistics of 2.745 shows that the variables in the model are not auto-correlated and are therefore, reliable for predications.

Table 2: ANOVA Result

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	112.562	5	22.512	72.203	.004 ^a
	Residual	3587.511	315	10.221		
	Total	3700.073	318			

a. Predictors: (Constant), Innovative Culture

b. Dependent Variable: Firm Performance

Source: SPSS Ver. 21

The F-test is applied to check the overall significance of the model. The F-statistic is instrumental in verifying the overall significance of an estimated model. The f-statistics value of 72.203 in table 2 above with probability value of 0.004 shows that the independent variables has significant effect on dependent variable. This shows that innovative culture can explain the variations infirm performance. This shows that innovative culture has significant positive effect on firm performance.

Table 3 Coefficients of the Regression Result

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	22.159	1.757		12.612	.000
	Innovative Culture	.028	.041	.037	2.693	.006

a. Dependent Variable: Firm Performance

Source: SPSS Version 21.0

Table 3 above indicates that innovative culture recorded a t-statistics value of 2.693 with a probability value of 0.006 which is statistically significant at 5% level of significance. This implies that innovative culture has significant positive effect on firm performance in selected multinational companies in Port Harcourt.

CONCLUSION

This work examined the effect of innovative culture on firm performance in selected multinational companies in Port Harcourt. Data were sourced from the employees of two multinational companies. The data generated were analyzed and the following became evident. The study found that innovative culture has significant positive effect on firm performance in selected multinational companies in Port Harcourt. This collaborate the findings of Quy (2018) that innovative culture has significant and positive impact on firm performance. This also agrees with the findings of Kamau and Wanyoike (2019) that there exist a strong positive correlation between corporate culture and organizational performance. This further agrees with the findings of Olu (2015) that positive relationship exists between organizational culture and corporate performance the sampled banks.

The study therefore concludes that innovative culture has significant positive effect on firm performance in selected multinational companies in Port Harcourt. The study recommends that innovative culture within the organization must be binding on all member and employees of the organization as this will encourage uniformity among employees of the organization and thus enhance commitment and group efficiency. Also, management should communicate the innovative culture effectively to the employees particularly new entrants so that they will be abreast of the culture of the organization.

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