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NATIONAL CULTURE AND ITS IMPLICATIONS TO FIRM INNOVATION CAPABILITIES FROM MALAYSIAN PERSPECTIVE

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Innovation is the key characteristic of any developed nations. From an organisational perspective, innovation allows firms to remain relevant and stay competitive in the market. Hence, fostering innovation has become the main agenda for many organizations all over the world. With globalization and technological advancement, more organizations are becoming multinational and conducting their businesses across borders. The understanding of local culture is essential for these firms in their quests for innovation. This paper examines the implications of national culture on the firms' innovation capabilities in the context of Malaysia. The discussion adopts Hofstede dimension of national culture and focuses mainly on the leadership and effective strategic communication in innovation development. A framework is developed to explain the context, enablers and barriers to innovation.

Keywords: National culture, Innovation, Strategic communication, Leadership, Hofstede, Malaysia

I. INTRODUCTION

The evolution of knowledge and information have reform the Malaysia's economic based from agriculture to technology. This evolution showed that Malaysia nowadays are moving forward to develop country and the creation of innovative societies are urgently needed to ensure the sustainability of Malaysia growth. Furthermore, Malaysia also has accepted the investment from other countries through the Foreign Direct Investment (FDI). According to Department of Statistics Malaysia (2016), the net inflow of Malaysia's FDI is RM43.4 billion, meanwhile the stock value and overall investment income at the end of 2015 are reported as RM504.9 billion and RM51.3 billion respectively. Hence, it is crucial for a country to know their national culture especially in multi-culture communities where are the individual's identity and behaviour are merely depends on their cultures. Recognition of cultural diversity in organization can have positive influence on organizational behaviour. Specifically, understanding of human interaction and attitude within organization helps to maintain the mutual relationship among the members. This is even more crucial in the globalisation era where companies are becoming more multinationals and rapid technology changes have affected the

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business strategies and the managerial utilization of communication. As a result, organizations nowadays require creative ideas and innovation in order to survive in an emerging competitive environment and continuously producing novel inventions. A highly diverse organization is essential for enhancing the productivity and innovation which can leads to economic growth (Ozgen, Nijkamp, & Poot, 2011). To this end, understanding of how local culture affects the innovative process may become a key factor in determining the success of a firm.

A firm's innovation process could be affected by cultural diversity in its workforce. Understanding the cultural values within an organisation may help in increasing the cognitive abilities, improving problem solving (Lee, 2015) which could lead to producing new ideas. These ideas could be adapted and introduced in new forms or contexts that are beneficial to organizations or institutions (Syrett & Sepulveda, 2011). However, culture can also pose barriers in achieving employee innovation in organization especially in Malaysia context where there is the multi-ethnic people with different mind-set and norms. According to Zerfaß & Huck (2007), organizations innovation could be promoted by understanding the leadership communication. From this point, innovation need to g*et al*ong with leadership. The successful of an organization greatly depends on the quality of leadership particularly on the part of the top management. Therefore, this paper aims to review the Hofstede's dimensions of national culture and their implications on leadership communication, specifically on the firm innovation capabilities, from Malaysian perspective.

II. CULTURE AND STRATEGIC COMMUNICATION

The term culture has been defined in so many ways, depending on the context of discussion. According to Triandis (1993), culture is a social domain that emphasizes on the shared elements which are attitudes, beliefs, self-definition, norms, and values in individual's interactions. The practices and behavioural patterns of a group also ensemble the culture (Amir, 2009; Hofstede & Hofstede, 2004; Leung, Bhagat, Buchan, Erez, & Gibson, 2005). Meanwhile, the most frequently cited definition by Hofstede defined culture as "the collective of the mind that distinguished the members of one group or category of people from another" (Hofstede, Hofstede, & Minkov, 2010, p.6). Analysis of the available definitions reveals that some common themes that culture encapsulates a set of values, beliefs, norms, and self-definition which represent a particular group of a community in a particular area. Given that definition, a national culture can be concluded as individuals' social norms which shape the individuals behaviour as well as the whole society (Bagchi, Cerveny, Hart, & Peterson, 2003).

On the other hand, the word strategic, from a modernist approach, is defined as a tactic on how to control the world through organizational management by eliminating the conflicts and adherence to organizational goals, (Hallahan,

Holtzhausen, Van Ruler, Verèiè, & Sriramesh, 2007) with the aim to assess the economic goals and contribution in the organizations (Jablin & Putnam, 2000). In this approach, communication is identified as one of the key aspects which relates to the organization's ability on delivering the information from the different levels of an organisation. The effectiveness of communication is seen as the key for gaining competitive edge, compliance and establish network. Thus, the term strategic communication can be simply viewed as an organization's effective use of communication in meeting worthwhile endeavours. According to Hallahan *et al.* (2007), the purpose of strategic communication is broadly to observe how people interact in various processes and build relationships in the strategic process. In general, the term strategic is relatively associated with power and decision making. Meanwhile the strategic communication related to discovering the links between culture, communication and organizational change (Hallahan *et al*., 2007).

An effective strategic communication can be constrained by external factors which include environment uncertainty and social risk culture (Holtzhausen & Zerfass, 2014). The mind set of people from different cultures can be an obstacle to have an effective communication. Specifically, culture differences affect the way people think and behave. In multicultural societies, each group may have a distinct history, culture, belief system, value and language which can influence the strategic communication. Consequently, conflict may take place if this culture barrier is not handled properly, while in a wider context, prejudice and hatred could rise in the society. It is widely accepted that the way people communicate to each other is influenced by their culture. For example, people who rely on traditions and customs or also referred as high context cultures, are strongly inclined to indirect communication which can lead to communication breakdown. Meanwhile people in low context cultures are less capable to understand the culture diversity and tend to be more insular. Most of the time these cultures communicate directly and need to be dealt explicitly and precisely (Kittler, Rygl, & Mackinnon, 2011), as they may lead to offence and resentment in conversation. In short, the existence of culture differences could affect high and low context communication and how other people view these cultures.

III. INNOVATION CULTURE RELATED TO LEADERSHIP

Innovation generally refers to the process of developing novel ideas that would add value for an organization or society. As a process, innovation involved two main phases. The first phase is generation of new ideas that could be derived from exploring existing opportunities, identifying organization gaps and proposing solutions to the problems. The second phase involves evaluating the ideas and implementing the best possible solution. These two key phases are essential for producing an innovation that allow organization to survive and remain competitive in a long term (King & Anderson, 2002). Meanwhile, from a more detail perspective,

Rogers (2003) illustrates the innovation-decision process into five stages; (i) knowledge, (ii) persuasion, (iii) decision, (iv) implementation, and (v) confirmation. According to Rogers (2003), an innovation does not necessarily need to be original. As long as something is novel and new to the society, it can be considered as innovation. At the stage of persuasion, the individuals' affective would actively seek the possible outcome of the new knowledge before deciding this knowledge is worth it or not. Then, the adopted or rejected the innovation is taking place at decision stage. Finally, the innovation would be implemented and confirmed by the authority or together with the subordinate. At each stage, communication plays a vital role in ensuring successful innovation.

In a nutshell, innovation is a process of developing new or resourceful ideas that have strong influence on everyday life and implementing this idea in some context for future benefits (Axtell *et al*., 2000; Zerfaß & Huck, 2007). Within the innovation discourse, the majority of the researchers often associates innovation with creativity (McLean, 2005). This is not surprising because in order to generate new ideas, the involvement of individual's creativity is very important to ensure that more ideas are generated, evaluated and that the best idea could be implemented successfully. Allowing creativity to flourish could be seen as the first phase of innovation process. The process of gathering information, identifying the problems and exploring the rationality of new problem solving ideas are required individual's creativity (West, 2002). In order words, the creativity and innovation process is interdependence. The innovation culture is perceived as a multi-dimensional whereby the members of organizations with different norms contribute to the innovation process. Nevertheless, for innovation to take place and become an organizational culture, it needs to be supported with strong leadership and effective communication as well as suits the overall individual culture in a firm.

Strategically, an individual's innovation helps to achieve the organization goals (Axtell *et al*., 2000; Smith, 1996; Unsworth & Parker, 2003). However, promoting innovative culture within an organisation can be challenging if the individuals themselves are not willing and do not have the desire to share their ideas for improving the organization (De Jong & Den Hartog, 2007). According to De Jong and Den Hartog (2007), the leader plays important role in influencing the employees' individual innovative behaviour. This is due to the fact that the employees' innovative behaviour greatly depends on their interaction with others in the workplace especially the leaders who have the most powerful influence on employees' work behaviour (N. Anderson, De Dreu, & Nijstad, 2004; Yukl, 2002; Zhou & Shalley, 2003). Hence, leadership skill is essential to influence others towards achieving specific goals or targets and triggering individual innovation. In order to successfully implement creative ideas within an organization, employees' innovation and leadership must happen in parallel. Without a good leadership,

organization innovation could not be promoted and developed. This is where effective strategic communication play its role.

IV. MALAYSIAN NATIONAL CULTURE IN THE LIGHT OF INNOVATION

Hofstede (1984) identify Malaysian culture as high power distance, collectivism, low uncertainty avoidance, medium masculinity, indulgence and short term orientation. Using this national culture dimensions, this paper examine its implication to the innovation process from the strategic communication perspective.

(A) Power Distance

Despite the continuous effort to close the gap both socially and economically, the hierarchical structure is still a prevalent attribute of Malaysian society (Hofstede & Hofstede, 2004). Apart from the differences in economy and social, the disparity between the higher status and lower status in Malaysian societies was also widened by the religion and political structures. This has created a large distance between those who are highly influential and those who are less influential in the society. The inequality issues remained high and become the biggest challenge for Malaysia in moving forward to high-income countries. For instance, the study conducted by Khazanah Research Institute reveals that the poverty and income inequality are more vulnerable especially for people in the middle class (Dass, 2016).

Malaysian society is identified as being high in power distance (PD) where people in different social hierarchy are more willing to accept and expect that the power is distributed unequally based on their authority and qualification (Abdullah, 1992; Ahmad, 2001; Amir, 2009; Ashkanasy, 2002; Hofstede, 1984, 2003; Hofstede & Hofstede, 2004; Karande, Rao, & Singhapakdi, 2002; Kennedy, 2002; Lim, 2001; Sumaco, Imrie, & Hussain, 2014; Ting & Ying, 2013). Ting and Ying (2013) reveal that Malaysian society still accepts the unequal distribution of power between both high and lower status persons either in society or business. Generally, the individuals with power are perceived as superior and elite, whereas those with less power accept their places in the hierarchy (Kirkman, Chen, Farh, Chen, & Lowe, 2009). The organisations with high PD culture are more likely to value status, power and prestige (Jaw, Ling, Yu-Ping Wang, & Chang, 2007; Schwartz, 1999).

Even though the acceptance of power, status and wealth inequalities allows individuals to learn on how to deal and interact with people from different levels of power (Hofstede, 2003; Javidan & House, 2001), new innovation is harder to manifest due to the existence of bureaucracy structure (Widhiastuti, 2012). Furthermore, the process of innovation in high PD cultures are more prone to be from top down rather than bottom up. Nevertheless, it is argued that the bottom up invention allows organization to remain competitive (Kralewski, 2012). This situation happened because the employees' ideas, creativity and problem solving

skills are the crucial components to force the innovation (Høyrup, 2010). Moreover, the innovation does not merely depend on the participation of high status person but it begins with those persons in charge in the business which know their customers' needs better than others.

The break down intra-group communication, less trustworthy and corporation are the possible situation would happen in hierarchical organizations (C. Anderson & Brown, 2010). Thus, a strong communication is certainly needed to build trust and to establish collaboration in these hierarchical organizations. However, there is a risk for lower status person when communicating with the higher status person. As such, the lower status person might get rewarded or rebuked for communicating with the higher status person (Richmond, McCroskey C, & McCroskey L, 2005). If the rebuking occurs, it will reaffirm the persons' lowly proposition and also reduce their motivation where they feel very useless and less capable. This conflict could be worst if they get rebuked in the presence of peers. This humiliation would often lead to latent and passive behaviour. Typically, the nature of Malaysian culture is concerned about the face saving (Abdul Rashid, Sambasivan, & Abdul Rahman, 2004; Abdullah, 1992; Amir, 2009; Idris, 2011; Kennedy, 2002; Mansor, 2000; Rashid & Ho, 2003; Sumaco *et al*., 2014). This notion of saving face proposes that one should not raise the subject or directly critique other parties that could possibly lead to the feeling humiliation. As a consequence, the employees will attempt to give positive messages and feedbacks to their employer (Richmond *et al*., 2005) or peers. Sometimes silence could be the best ways to avoid degrading (Abdullah & Ling, 2009). Hence, the high status persons are often making decisions without having all the information due to the lower status persons are too introverted by the status barrier to speak the truth or report all the information.

The hierarchical status barrier has a real impact on communication which resulted in lacking of new innovations. Even though individuals at the lower hierarchy could give respect, trust, obedience, loyalty, submission and defer judgements to people with high status (Amir, 2009; Basabe & Ros, 2005; Bochner & Hesketh, 1994; Idris, 2011; Kirkman *et al*., 2009; Romm & Hsu, 2002; Sumaco *et al*., 2014), the quality of communication and innovation are often reduced. Hence, the leadership has to play important roles for promoting the innovation and break the communication barrier. A leader must be capable to create a conducive organizational environment where the members may exchange proposition to solve the problems and develop new interventions (Horth & Buchner, 2009). Another way to solve the status differential without change the hierarchical structure is to build solidarity (Richmond *et al*., 2005). Richmond *et al*. (2005) defined the building solidarity as a solid unity among the group which establishes a close and trustworthy relationship. As the trustworthy exists, the members would be more open and honestly communicate to share their opinion, creativity and ideas without fear of being rebuked or punished. Hence, the effectiveness of communication would

increase the solidarity between a leader and members in the organizations. Other than that the members in organization also should view themselves as an innovation by constantly challenging each other and learn from each other's ideas for a better future innovations.

(B) Collectivism

Hofstede (2003) also identified Malaysian society as collectivist and this view is supported by other studies such as (Ahmad, 2001; Ashkanasy, 2002; Hofstede, 2003, 2011; Hofstede & Hofstede, 2004; Kennedy, 2002; Sumaco *et al*., 2014; Ting & Ying, 2013). Collectivism is an attitude that emphasized the important of group identity over individual identity which is people in this groups tend to stress on belonging of the society and perceive loyalty (Triandis, 1993). In Malaysia, the collectivism attitude can be witnessed in forms such as family gatherings and social events or festivals. This attitude preserves the harmonious atmosphere, the sense of togetherness and respect for elders. These are also the priority in the negotiation process. In societal rules and regulations, perceive loyalty from others is the most priority in order to foster strong relationships (Amir, 2009; Idris, 2011; Sumaco *et al*., 2014). This group of society will share the same responsibility and care of each other. In contrast, the individualist culture put more emphasizes on the human independence and achievement. Special rewards were given to people who are successful in accomplishing certain target goals and also given an incentive for any contributions or innovation (Gorodnichenko & Roland, 2012). Indirectly, the existence of competition between the members might boost them to produce more innovation and more contribution to their organizations

Collectivism can be divided into horizontal collectivism and vertical collectivism. Horizontal collectivism stresses the decision making powers are relatively equal among the individuals in collectivism groups. Meanwhile, the vertical collectivism is based on hierarchical structures of power where the people in this organization are willing to sacrifice themselves for a group and decision making power is decided by authority (Triandis, 2001). The Malaysian society in general is more team-oriented and seeks to give priority to group goals over individuals' goals. Any opinion, new ideas or decision making must get agreement and predetermined by the group in order to avoid mistake that could lead to shame feelings (Hofstede, 2011).

Even though collectivist organizations are generally less innovative, these groups are more encourage to achieve conformity and provide a static efficiency in the economic growth (Gorodnichenko & Roland, 2012). On the other hand, the main advantage of collectivist organisations is the emphasis on team-oriented (Abdullah, 1992; Abu Bakar, Su Mustaffa, & Mohamad, 2009; Amir, 2009; Mansor, 2000). The effect of hierarchical structure organization that clearly defined the responsibilities of employees in workplace has the potential to make them become

more collaborative. In one group of units, the employees may work together to achieve the target goals that have been set by people from higher status. However, the shared responsibility may engenders the uncommitted employees and pick up other weaknesses. Furthermore, they might feel less confident on suggesting any ideas and decline to contribute when knowing that their individuals' effort might not be recognized and rewarded.

Malaysians are generally tolerance in which they are able to cope with ambiguity without experiencing undue stress and somewhat assertive and competitive (Ting & Ying, 2013). According to Gorodnichenko and Roland (2012), the collectivism society puts more value to harmony relationships and conformity as compared to individualism structure which gives more value personal freedom and power status. In the context of Malaysian organization, more emphasises are put on harmony and cooperation among the group members. They are more concern on perceiving harmonious relationship, that they avoid raising the subject or directly critique or giving opinions that could lead to long debates. In short, collectivist organizations offers the advantage of more harmonious relationships among individuals (Abdul Rashid *et al*., 2004; Amir, 2009; Fink & Laupase, 2000; Rodrigue Fontaine & Richardson, 2005; Ghani, 2015) which can provide a good climate for innovation to flourish. Each member of a group is more eager to contribute without concern for advantage being taken of them or for whether others are doing their part. Hence, a proposed solution to close the innovation gap is to strategically manage both the sense of collectivism and individualism in organisation. For example, each team member is required to share their knowledge, skills and responsibilities together in the same projects and, at the end the manager still can evaluate the individuals' performance through the overall contribution to the project.

(C) Uncertainty Avoidance

The uncertainty avoidance dimension encompasses the capabilities of society norms in handling the ambiguity situations. This ambiguity causes different reactions in different individuals based on their cultures. Different society may have different levels of anxiety on how to deal with the fact that the future is unknown and should they feel comfortable or uncomfortable with the ambiguity situations. Hofstede clarifies the uncertainty avoidance as a society level of tolerance or comfort for ambiguity, uncertainty and unstructured situation (Hofstede, 2003). As a whole, the fundamental of this dimension is to assess the cultural perceptions about the future.

The level of uncertainty avoidance can be categorised as high or low uncertainty avoidance. In most of situations, cultures with a high level of uncertainty avoidance are low tolerance for ambiguity. This cultures tend to be a risk-adverse and try to reduce the possible uncertainty circumstance by minimizing the immediate

decisions. They also favour a well-structured environment and more comfortable to follow the established regulations to overcome the ambiguous (Shane, 1995). In contrast with society in low uncertainty avoidance, the group members are more relaxed and easily tolerated (Mangundjaya, 2011; Sumaco *et al*., 2014). They also are likely to consider taking some risks or risk-averse even though they cannot predict the outcome of the future. Customarily, these people believe that there is no need for establishing the regulations unless it is necessary and if the regulations do not fit the current environment, it should be abolished or changed.

The existence of tolerance among Malaysian has been established since independence where people are willing to accept other individuals with different culture and social background into their society (Ridhwan Fontaine, Richardson, & Peik Foong, 2002; Ghani, 2015; Idris, 2011; Mun, Fern, & Chin, 2015; M. A. Ramli & Jamaludin, 2011; Sumaco *et al*., 2014). According to Sintang *et al*. (2013), culture tolerance is capable in influencing the humanistic principle in people minds. In his article, he classified these humanistic principles into two elements which is people who love for peace and being understanding to each other. Besides accepting indifferent of culture background, tolerance also recognizes as the universal human right and showing respect is an essential humanity for every person. Hence, individuals who live in a multi-racial society would get an opportunity to learn from others while respecting and valuing their differences in religious and ethical belief. Thus, understanding tolerance is a very important key to keep peace and harmony among the authorities. Tolerance also could create a society which feels valued and respected by other groups which from an organizational perspective can be a good indicator for innovation.

Typically, the organizations with a low uncertainty avoidance are more lenient to risk taking and flexible in adjusting behaviour towards the environmental changes. The openness of employees in sharing the ideas and thoughts could be the stepping stone for organizations to become more successful. However, this culture often favours a flat organizational structure. As discussed earlier, Malaysia is a hierarchical society which can result in an idea not reaching to the top management due to hierarchical barriers or bureaucracy. Furthermore, the difficulty to achieve cultural tolerant is rooted to the existence of prejudice in the society. The distrust and fear from people especially of different religions, culture and ethnic could make it tougher to create harmonious relationship. However, conflict can be solved by effective communications. Through communication acceptance and respect would be key solutions to most of our problems. Effective communication also bridges the gap between upper and lower status and fixes the complexity of relationship in organizations before getting worse. It provides safe environment which enables the group to discuss conflict and differences without fear. A harmonious relationship in Malaysian society could be maintained with cultural appropriateness (R. Ramli, 2013). According to Thomas (2002), cultural

appropriateness is related to cultural identity, communication styles, meaning system and social network which are concerned on the difference set of attribute on norms, language preferences and civility. Hence, a strong and constant communication is a very important element to build a harmonious relationship in society.

(D) Other Culture Dimensions

The masculinity-femininity cultural dimension measures the individual's behaviour that leads to trigger the individual's motivational mind set. In masculine cultures, the societies often refer to result-oriented. This result-oriented means that the societies emphasize more on individual's performance in order to achieve successful outcomes (Hofstede, 2011). An organization with a masculine culture is assertively and competitively moving towards materialism such as money, status and power relationships (Alves *et al*., 2006; Budin, Kamisah, & Wafa, 2013). The employees tend to be cordial and dominate their behaviour accordance to leaders' preference. In contract, the feminine cultures are concerned on social relationships and quality of life (Budin *et al*., 2013). The feminine society is not preferable to be a centre of attention. It only focuses on completing the given task rather than being the best among other members. This society is known as process-oriented.

In Malaysia context, both masculinity and femininity are transcended as claimed by Hofstede (1984). Typically, the Malaysian cultures perceive the value of harmonious relationships (Abdul Rashid *et al*., 2004; Amir, 2009; Fink & Laupase, 2000; Rodrigue Fontaine & Richardson, 2005; Ghani, 2015; Rashid & Ho, 2003). According to Kennedy (2002), the individuals in this culture are respecting other people's feeling without hurting their self-esteem. Thus, this cultures value the community spirit and strive for consensus by helping each other. Moreover, these people also are more comfortable working in the hierarchical organization structures (high power distance) as the best way for them to achieve the success. From this point, it seems that Malaysian society is more likely prone to feminine cultures. However, Ting and Ying (2013) discovered that Malaysians nowadays are moving more towards a moderate masculine cultures. They are increasingly attempting to gain great profit (money and power) through competition between the members in order to improve their quality of life. In short, the people in this country is increasingly devoted their lives for work and making profit. Nevertheless, according to Kaasa (2013), masculinity culture does not have much effects in generating new ideas due to this culture that is more on explorative behaviour than exploitative behaviour. Thus, the innovation could be hindered due to this problem.

Based on Hofstede's study, Malaysia is also categorised as aiming for indulgence and short term orientation. Ismail and Lu (2014) defined the people in indulgence cultures generally show the satisfaction of human desires with regards to the value of happiness. This culture has tendency to act and behave without regulated by strict social norms. On the other hands, short term orientation is the

culture of societies which respect for tradition, preservation of 'face' and fulfilment of social obligations.

V. CONCLUSION

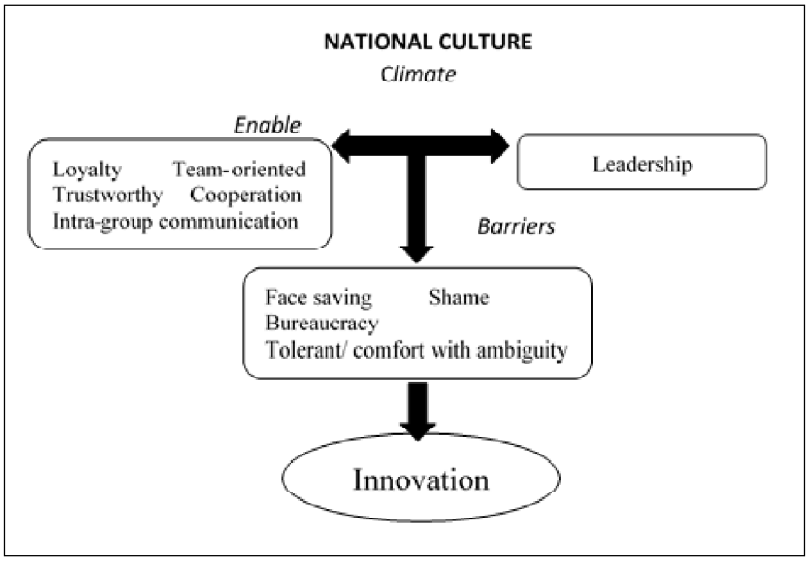

Figure 1: A framework for the implications of Malaysian national culture on organisations' innovation capability

The existing of cultural differences in societies have influences the national culture innovation especially in the organizations. The emergence of national cultures in multi diversity organization would affects the innovation. This culture would shapes the individual's behaviour including their mind, values and beliefs. Thus, the knowledge on these cultures will assist the innovations in the organization. In Malaysia context, the recognition of cultural diversity was accepted within the organizations. The innovation in organizations are difficult to foster unless the climate of innovation are manage properly (Figure 1). The effectiveness of innovation can be increased depending on the leaders on how they create the innovation climate where the employees in the organization are free to contribute the ideas. At the same time, there are some barrier that could be hurdle for innovations to happen. The barrier of face-saving, shame, bureaucracy and comfort with ambiguity have created the burden to the employees in producing and providing the ideas. Thus, both national culture and innovation climate are the key elements that must be manage properly by the leaders through the strategic communication. The loyalty, trustworthy, cooperation, team-oriented and intra-group

communication between the leaders and the employees are main components that should have in organizations have in order to promote and develop more creative ideas. From this point, leadership plays crucial roles to trust and respect employees equally to ensure the employees could voice out their opinion and propose a better innovation.

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