Building a Culture of Innovation in Philippine Organizations: Implications for OD

August 2011

Ma. Regina M. Hechanova

Introduction

In a constantly evolving world, people are regularly confronted with changes. This is especially true in today’s workplace. Globalization has led to the breaking down of economic barriers and has given rise to intense business competition that requires organizations to evolve their strategies and practices in order to remain viable.

The issue of global competitiveness is especially salient for the Philippines given it’s low ranking (66 out of 131 countries) in the World Economic Forum’s 2007-08 Global Economic Report (http://www.gcr.weforum.org/). The low ranking in the World Economic Forum was attributed to a lack of sophistication in production processes, limited distribution channels, and low capacity for innovation. It is thus evident that innovation is imperative to enable Philippines business organizations to cope better with global challenges.

What makes organizations innovative? There are a number of Western models and research that identify the necessary components of organization innovation. Unfortunately, there is little known research on organization innovation in the Philippines. Hence, this study seeks to examine innovation among Filipino organizations.

Research Questions

- Are there differences in innovation cultures by type of organization?
- What are the factors that drivers and barriers to innovation in the Philippines?
Our Study

Sample

This study was conducted in two phases and utilized a mixed method approach. The first phase involved case studies of five creative Philippine organizations. The selected organizations were Filipino organization known for introducing new ideas to their clients or markets. The companies included: an IT firm that designs wireless technologies and mobile applications; a school that focuses on fashion and design; a media organization that produces inspirational music, videos, books, radio and TV shows; a multi-awarded advertising agency; and a garment-manufacturing company known for its Pinoy humor.

In the second phase of the study, surveys were conducted among 942 employees of 23 organizations from a variety of industries, as well as the public sector. One third of the sample was composed of rank and file employees, 27% were in professional or technical positions, and 38% occupied supervisory or managerial levels. A slight majority (58%) of respondents were female and married (51%). The succeeding tables describe the profile of the companies.

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole owner</td>
<td>32</td>
<td>3.5</td>
</tr>
<tr>
<td>Family owned</td>
<td>233</td>
<td>25.5</td>
</tr>
<tr>
<td>Fil corp</td>
<td>356</td>
<td>39.0</td>
</tr>
<tr>
<td>MNC</td>
<td>90</td>
<td>9.9</td>
</tr>
<tr>
<td>Government</td>
<td>202</td>
<td>22.1</td>
</tr>
</tbody>
</table>

Table 1. Profile of Organizations by Ownership
The case studies utilized multiple methods of data-gathering. Naturalistic observations were conducted in the workplaces of the selected organizations. These observations revolved around artifacts in the work environment (physical space, posters, IDs, dress code, etc) as well as interactions among organization members. Researchers also reviewed company documents such as the company’s statement of vision, mission, values. Finally, interviews were conducted with key informants in each organization.
The surveys were constructed based on the framework developed after the first phase. The survey initially measured eight factors. However, after subjecting the data to reliability and validity testing, the researchers kept only seven factors that yielded acceptable reliability indicators.

- **Strategy** - is the extent to which the organization cites innovation in its mission, vision, values or goals (4 items, $\alpha = .92$)

- **Leadership** - measures whether organization leaders serve as role-models for innovation and are open to suggestions and new ideas. This factor also measures whether there exist good relationships between management and employees, and whether leaders are perceived to be trustworthy and care for employees (7 items, $\alpha = .90$)

- **Relationships** - measured the quality of relationships and teamwork between employees and units (5 items, $\alpha = .89$)

- **HRD** - is the extent to which the organization provides training and development programs to build both technical and innovation capabilities (4 items, $\alpha = .93$)

- **Engagement** - is the extent to which organization members care about the organization and are willing to go beyond what they are required to do for the good of the organization (3 items $\alpha = .89$)

- **Management of Innovation** - refers to systems in place to generate ideas, measure, reward and provide resources and employee time for innovation related projects (6 items, $\alpha = .94$)

- **Innovation culture** - is employees’ perception of whether their company is innovative, risk-taking, open to change, experimental and values innovation (6 items, $\alpha = .92$)
Factors Associated with a Culture of Innovation

Correlational analysis was conducted with all the variables and majority of the factors showed significant association with a culture of innovation. In terms of organization characteristics, number of levels and age of organization were negatively correlated with innovation culture. That is, the more job levels and the older the organization, the weaker the culture of innovation. There was no relationship between organization size and culture of innovation.

All the seven variables were positively correlated with culture of innovation. Organizations that had higher scores on innovation culture also had higher scores in management of innovation, strategy, leadership, employee engagement, HRD and quality of relationships.

Regression analysis was conducted with all the variables and taken together they explain 70% of the variance in innovation culture. However, only four factors uniquely predicted a culture of innovation. Of these, the factor that has the strongest influence in management of innovation. This is followed by strategy, leadership and employee engagement.

<table>
<thead>
<tr>
<th>Table 3. Predictors of a Culture of Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Management of Innovation</td>
</tr>
<tr>
<td>Strategy</td>
</tr>
<tr>
<td>Leadership</td>
</tr>
<tr>
<td>Employee Engagement</td>
</tr>
<tr>
<td>Size Of Org</td>
</tr>
<tr>
<td>HRD</td>
</tr>
<tr>
<td>Number of Org Levels</td>
</tr>
<tr>
<td>Relationships</td>
</tr>
<tr>
<td>Age of Organization</td>
</tr>
</tbody>
</table>
The following section discusses these four factors in greater detail and cites examples from the case studies conducted among creative organizations.

Managing for Innovation

The results highlight the importance of installing systems and mechanisms to encourage innovation in organizations. This includes mechanisms to generate ideas. For example, the ad agency generates ideas through competition and awards. The company regularly conducts in-house competitions where everyone in the organization, regardless of position, is qualified to join. This serves as a means of generating fresh ideas for new and existing projects. Suggestions are also accepted through a central email where employees can drop their ideas either anonymously or named. Ideas are brainstormed and both individual and collaborative efforts are rewarded accordingly. There is a minimal amount of incentives awarded to encourage people.

Beyond suggestions and ideas, some organizations go a step further by obtaining the participation of organization members in organization decisions. According to the president of the garment manufacturer, “The best way we encourage creativity and innovation in the organization is by being open to opinions, and encouraging the participation of everyone. Part of the system is calling for a planning meeting with all the members of one department, to ask them for suggestions on how to achieve the job. Included in the meetings are the costs, and how we can compare these to the selling price and how much we can possibly earn. Suggestions are also asked to improve the designs.”

Our interviews suggest why innovation mechanisms are important. When asked about the barriers to innovation, interviewees mentioned tradition and the pressure to conform. Said one leader, “We live in a collectivist society and it might be difficult for one person to express his ideas because there is the tendency to lean towards group beliefs more than individual expression.” According to her, this behavior is what makes people hesitant to express their ideas freely. Thus, formal mechanisms provide people the space and courage to think differently and express themselves.

Strategy

The results also highlight the value of articulating the importance of innovation in an organization’s vision, mission, values or goals. This was evident in the case studies of creative organization. For example, part of the IT company’s mission statement reads ‘To cultivate research and new product experimentation with the help of faculty, student and research groups to strengthen the synergy between the academe and IT industry. To create radically new and innovative applications that use Java and wireless technologies to improve and enrich people’s lives.’
Leadership

Leadership style can also hinder the free flow and exchange of ideas in the workplace. In fact, research findings suggest that Filipino leadership culture tends to be formal, hierarchical (Bulatao, 1973) with most power concentrated in the chief executive (Arce, 2001). Thus, it is not surprising that leadership emerged as an important influence on building a culture of innovation. Specifically, organizations that reported cultures of innovation had leaders who were open to new ideas and encouraged innovation. At the same time, these leaders also showed concern for employees and treated employees fairly. Further, good relationships between leaders and employees created trust in leadership and cooperation from employees which are critical when top management implement innovations.

The above leadership behaviors were also evident in our case studies. The leaders of the ad agency exercise participative leadership where leaders get input from their subordinates and everyone is expected to contribute. Leaders were also described as approachable as expressed by one staff member, “My supervisor is very approachable and easy to talk with.” Having young leaders also appears to help. Says the director of a media company, “Our head is very young. He is daring.”

According to the president of the ad agency, “Leadership does not allow me comfort or the luxury of resting on my laurels and telling people what to do. It makes me more conscious of the need to be adding value to everything. Leaders are placed in a position to lead others; therefore they are expected to project a positive image that helps cultivate creativity and innovation in the organization.”

Employee Engagement

In addition to the aforementioned factors, the results point to the importance of engaging employees as a foundation for innovation. More specifically, companies that had higher scores on culture of innovation had employees who were willing to go beyond what is required for the good of the company. These employees took the initiative to think of ways to help their company and were willing to make sacrifices to ensure the growth of their company.
Differences in Innovation Culture by Type of Ownership

The results suggest that there are significant differences in innovation culture by type of industry ($F=19.69$, $p<.05$). As seen in Table 4, respondents from multinational companies reported highest scores. The lowest scores were from family-owned as well as government organizations.

Table 4. Means in Innovation Culture by Ownership

<table>
<thead>
<tr>
<th>OWNERSHIP</th>
<th>Mean</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>MNC</td>
<td>3.63</td>
<td>0.15</td>
</tr>
<tr>
<td>Filipino Corp</td>
<td>3.58</td>
<td>0.05</td>
</tr>
<tr>
<td>Sole owner</td>
<td>3.49</td>
<td>0.04</td>
</tr>
<tr>
<td>Family-owned</td>
<td>3.23</td>
<td>0.09</td>
</tr>
<tr>
<td>Government</td>
<td>2.99</td>
<td>0.06</td>
</tr>
</tbody>
</table>

That multinational companies had the highest score in culture of innovation is not surprising. After all, multinational corporations (MNCs) have access to more resources, more influences, and more information. MNCs also have a greater drive to compete globally than local organizations and are likely to implement more progressive strategies that encourage innovative thinking and practices.

Why would government and family-owned organizations report lower scores in terms of innovation culture? Our interviews suggest that one reason might be related to organization structures. Government organizations are known for their very hierarchical structure. The sample also included local government units. One barrier to innovation may be the short term limits of local officials that may prevent them from introducing innovation.

Family-owned organizations, on the other hand, tend to be quite centralized. These may hinder the influx of new ideas. Says the head of the ad agency, “the Philippines is an innately creative country, but the structures found in many organizations inhibit them in contributing their creative talent to the organization. Hierarchical structures hinder creativity and innovation because there is a sense of authority so people become more hesitant to express their ideas more freely. People in position expect a degree of respect. If you create an organization that encourages that, then you don’t create an organization where there is free flow of ideas.”

In addition, the literature on family businesses suggests that family dynamics may make implementing change difficult. For example a local study suggests that lack of trust in outsiders, leadership styles, family dynamics, financial limitations and lack of capability are some of the barriers to professionalization of family businesses (Franco, Hechanova, Mercado & Lopez, 2005).
Cultural Barriers to Innovation

The study elicited what appear to be cultural barriers that may inhibit innovation in Philippine organizations. For example, respondents talked about a culture of conformity that may inhibit risk-taking.

There was also a mention of the propensity for “gaya-gaya” or the tendency to copy rather to produce original ideas. This is called reproductive rather than productive thinking.

Some interviewees suggest a general reliance on leaders for ideas. Such hierarchical culture where subordinates are subservient to authority also does not bode well for innovation. This may be further exacerbated by a desire to save face or “hiya.”

Finally, innovation takes time and investment. Unfortunately, it appears that the Filipino culture tends to take a more short-term orientation. Respondents mentioned our tendency to think of the ‘here-and-now’ or how we fail to plan for the future. Unless we learn how to think long-term, we may not invest in the research and development needed to create original ideas.

All this suggests that building a culture of innovation cannot start in the workplace. By the time they get to the workplace, people have learned bad habits such as a ‘copy-paste’ mentality or a dependence on authority figures. We need to start as early as we can to hone the ability for creative and original thought.

Our schools need to go beyond emphasis on correct answers and rote learning and focus on developing creativity. We need to teach our students how to think, how to be curious, how to learn - rather than what the answers are. But this will be difficult when our class size in public schools are as big as 80 and our teachers are constrained with resources.

In a country that is dominantly Catholic, we have a culture of viewing our religious leaders as infallible and therefore their teachings are always correct. Our institutions need to balance dogma with dynamism, hierarchy with flexibility.

There is no greater influence on a person than the home. Children imbibe what they see. Their abilities and character are formed by how they are raised. Creativity and innovation will never flourish as long as parents constantly dictate how children should think and what they should do. Parents need to learn how to balance emphasis on obedience with encouraging independent thinking. Rather than teaching our children not to have or voice a contrary opinion, perhaps we need to teach them how to respectfully disagree and help them sharpen their critical thinking and decision making processes.
Beyond society, what can Philippine organizations can do to encourage creativity and innovation? We use the CORD Framework for Culture Building that uses the acronym CREATE. This stands for Communicate desired values, Role Modelling of leaders, Engage employees, Align systems and structures, Train for culture and Evaluate and recognize exemplary behavior.

**Communicating the Need for Creativity and Innovation**

As we have seen in our case studies, it is important to articulate the importance of innovation. Whether through its vision, mission, values or goals - what appears key is that an institution identifies innovation as a strategic imperative.

**Role Modeling**

Beyond bringing in the right people, organizations need to ensure that these employees have leaders who will encourage them to take risks. Organizations need to select and hone leaders who are open to ideas, have good interpersonal skills so that they are accessible and trustworthy. Leaders play a critical role in creating an environment where people are not afraid to take risks and commit mistakes. People will not stick their heads out when they live in fear of reprisal. This suggests the need to hone the competencies of leaders in creativity and innovation as well as educate them on how to enable innovation among their employees.
Engaging Employees

Systems and structures may need to be put in place are idea-generation mechanisms that encourage people to express their ideas more freely. Organizations may also wish to examine the amount of empowerment of employees both on the job and in making organization decisions. Involving employees in planning is another way to generate innovative ideas.

Part of engaging employees in innovation is nurture relationships and teamwork in order to encourage collaboration and cross-fertilization of ideas.

Aligning Systems and Structures

It is also important to install rewards that will recognize innovation. In addition, organizations may wish to rethink their recruitment and selection systems. Other than technical expertise, it is also important that creativity, flexibility and adaptability are traits that organizations look for when hiring new employees.

The desire for innovation will also impact job design. Jobs that are too constricting where employees are only made to follow rules or scripts will not encourage creative and critical thinking. Jobs needs to be designed to provide flexibility and autonomy.

Although a Code of Discipline is important to provide order in an organization. An organization that is too regimented may also discourage creative and independent thought.

Innovation, in order to initially flourish, may require structures in order to provide accountability for innovation. Some companies, for example, have Innovation Committees. Others put the responsibility for Innovation in within their structure.

Beyond structures, organizations may wish to institute mechanisms to generate information from its customers, competitors and other stakeholders in order for it to keep abreast of trends and opportunities. Mechanisms such as benchmarking, business intelligence and customer feedback are but some ways to elicit information that may lead to innovation.

Training for Innovation

Innovation requires certain skills. Organizations who wish to build a culture of innovation may find it necessary to hone creativity and innovation among its employees and leaders. For example, Ateneo CORD has been running Innovation programs for organizations to teacher their employees and leaders skills in whole brain approach to creative thinking. The program also focuses on the innovation process and its requisite skills of problem structuration, Ideation, Evaluation and Implementation.

At the same time, it may be important to ensure that leaders have the ability to encourage innovation by empowering their employees, building good relationships with them and managing diversity. Because innovation ultimately means change, organization leaders need to have the capability to manage change.
On the other hand, the courage of employees in actually presenting views that are different from their leaders is equally important. In cultures such as that of the Philippines where power distance is high (Hofstede, 2003), employees may feel that raising different views would be disrespectful. Jocano (1999) suggests that given our social sensitivity, we seek to save face and our communication tends to be indirect and non-adversarial. Thus, Filipino employees may avoid open debates where their boss may lose face. The key here would be to teach employees how to express their ideas to their bosses in an assertive, but not aggressive, manner. Similarly, employees need to be empowered on ways to work through disagreements and conflicts that are congruent with Filipino culture. Such constructive tension is important if new ideas are to emerge. Some programs that may be useful would be communication skills and and how to manage their relationship with their boss.

**Evaluating and Recognizing Innovation**

What gets measured gets rewarded and what gets reinforced is sustained. Organizations that wish to foster innovation may need to embed innovation in their evaluation systems. However, they should also provide means to recognize innovative ideas whether intrinsically in the form of public praise, announcements or extrinsically, through monetary or other tangible rewards.

**The OD Challenge**

Given socio-cultural barriers, building a culture of innovation in Philippine organizations will certainly be a challenge. However, Organization Development practitioners can play a crucial role in culture building.

Unfortunately, culture building takes time. We will need to take a systems and long-term approach in order to make it happen. But we have no choice. Unless our organizations learn how to create and innovate our country will never be globally competitive.

**References:**


WHO WE ARE

Ateneo CORD takes pride in being an extension arm of the Ateneo Department of Psychology a Commission on Higher Education (CHED) Center of Excellence. Ateneo CORD uses the latest research on human and organizational behavior to optimize both the individual skills of the employees and the structures and cultures they work in.

OUR VISION
To be the preferred partner in building knowledge and capability in developing people and organizations.

OUR MISSION
As part of Ateneo’s contribution to nation building, we partner with people and organization to improve their effectiveness by:
• Generating knowledge
• Disseminating best practices
• Building competencies
• Developing HR and OD solutions

OUR OFFERINGS

Public Training Programs: Diploma in SHRMD, Diploma in OD, Certificate courses in HRM

Customized Training Programs: Leadership, Change Management, Facilitation, Presentation skills, Creativity & Innovation

Consulting Services: Organization diagnosis, Change Management, Strategic Planning, Teambuilding, Executive Coaching, Industrial Counseling

Research: Employee engagement surveys, Competency profiling, Market research, Training needs analysis, Program evaluation

Ateneo CORD
Ground Floor, Frank Lynch Hall, Social Development Complex,
Ateneo de Manila University, Loyola Heights, Quezon City, Philippines
Email: ateneocord@admu.edu.ph
Tel Nos. (632) 426-6001 loc. 5263 and 5264, (632) 426-6065 / 426-6282.
Telefax: (632) 426-593