Factors Affecting Innovation in Jordanian Public Firms

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ABSTRACT

This research examines the effects of leadership (LP), strategic planning (SP), organization culture (OC), human resources (HR), partnership (PS), availability of resources (RC), and systems, structures and processes (SSP) on public firms' innovation in Jordan. Moreover, it aims at identifying the key barriers hinder implementing innovative systems. One hundred ninety two are collected from 67 public organizations. A conceptual model is proposed and then analyzed using Structural Equation Modeling (SEM). SEM results showed that: (1) LP significantly affects HR, PS, and SSP. However, it insignificantly affects on RC, (2) SP is positively related with HR, PS, RC, and SSP, (3) OC significantly affect HR, PS, RC, and SSP, (4) HR, PS, RC, and SSP positively affect innovation, and finally (5) innovation has direct positive effects on customer satisfaction, process performance, and financial performance; whereas it has insignificant effect on employee satisfaction. Further, it is found that organizations' culture has the highest impact on successful innovation implementation. Moreover, the risk of failure and resistance to change, rigid hierarchy, lack of resources, and limited budget moderately affect innovation adoption. The results of this research provide valuable information to policy makers regarding the key factors affecting innovation and main barriers that hinders successful implementation.

Keywords: Innovation, Jordanian Public Firms, Performance Measures, Public Sector, Structural Equation Modeling (SEM)

1. INTRODUCTION

Innovation is a way that facilitates achievement of performance targets, especially under conditions of scarcity of resources, and increasing demand from customers to improve the quality of products and services (Damanpour and Schneider, 2008; Ghili, Shams, and Tavana, 2011; Bwalya, 2012; Cua, 2012) in any organization. Nowadays, a broader recognition that innovation is essential to a productive and highly performing public sector (Hamel, 2006; Kim and Lee, 2009; Dervitiotis, 2010). Consequently, it is important to identify the

DOI: 10.4018/ijissc.2014100105
important factors that determine the capacity of an organization to innovate and their effects on organization performance (Albury, 2005; Loewe and Dominiquini, 2006). Leadership is a critical factor to the success of innovation and it plays an important role in instituting organizational changes in public system because it is responsible for developing and communicating a vision for innovation (Dervitsiotis, 2010). Moreover, development of strategies as a process can help create unique insights, and define the goals that insights are exploited towards, so as to become valued innovations. It can also define the gaps between current and desired performance, requiring innovation to reach. Adams, Bessant, and Phelps (2006) stated that innovation strategy is a timed sequence of internally consistent and conditional resource allocation decisions that are designed to fulfill an organization’s objectives. Consequently, strategy sets the context and imperative for innovation in pursuit of competitive advantage (Stewart and Fenn, 2006).

Further, organization culture creates appropriate environment of creative talent to involve employee, and provide opportunities for creative interaction and take advantage of the good ideas generated from other sources (Dervitsiotis, 2010). Also, effective human resources management is a key factor in organization innovation management who are the source of creative ideas and initiatives, and they play a critical role in driving organization’s success (Wong and Chin, 2007).

Innovation requires appropriate systems and structures that can promote creativity and initiatives by employee (Kim and Lee, 2009). Structures are interested with the way employees are grouped (Adams et al., 2006) and they tend to be flexible, with few and simple regulation, loose (released) job description and high independency in decision making. The systems include rewards, recognition and career systems (Andriopoulos, 2001). Innovation management processes are required to implement the strategy and goals of innovation and to develop new value-adding services (Dervitsiotis, 2010).

Organizational performance is improved through technical and administrative innovation (Montes, Moreno, and Morales 2005). Naranjo-Gil (2009) examined the effect of technical and administrative innovations on organizational performance in public health care sector in Spain. He showed that organizations that combine technical and administrative innovations increase their performance. On the other hand, implementation of innovation is positively influenced by the capacity of the entity to organize resources (Kim and Lee, 2009) and the external partnerships that can complement an organization’s unique strengths, knowledge and skills.

In Jordan, little research has been conducted to identify the key factors that affect the implementation of innovation and investigate their effects on firms’ performance in public sector. Therefore, this research aims at: (1) examining the relationships between leadership, organization culture, strategic planning, partnership, firm resources, human resources, and systems, structures, and processes, (2) investigating the effects of these factors on firms’ performance, and (3) identifying the key barriers that hinder innovation implementation in public sector. The results of this research may provide valuable information to policy makers and decision makers when developing plans for promoting innovative systems in public sector. The remaining of this research including the introduction is outlined in the following sequence. Section two presents conceptual framework. Section three collects data and conducts analysis. Section four provides research results. Finally, conclusions are made in Section five.

2. CONCEPTUAL FRAMEWORK

In this section, the relationships between the key factors that affect innovation implementation are presented and their hypothesized effects will be developed.
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