

# Determinant Factors for Managing Innovation in the Malaysian Public Sector

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**Abstract.** Since 1991, the government has started the forces to encourage public sector to innovate in order to strengthen the capability and solve problems at workplace for the benefit of organization and its people. The focuses of this forces is to create value creation, encourage cost reduction, and provide services that meet aspirations and people's expectations through high impact ideas. However, to achieve these focuses, public sector faces few challenges that affect the management of innovation; which includes lack of leadership skills and poor innovative culture to stimulate innovation. Although there are various initiatives conducted to enhance the management innovation, the innovative performance is still less satisfactory. Therefore, this paper aims to discuss the determinant factors that affect managing innovation in the selected public sectors which consist of two categories; patron and executor agencies. Thematic approach was used to analyse the interview data. Findings from the interview suggested that in the organization, an employee especially a leader should show his full commitment towards innovative culture, he needs to be committed and supportive and communicate well with the employees and he also should provide attractive rewards to encourage the innovative culture for an effective management innovation. These determinant factors need to be considered as high significant for the public sector to develop new strategies or approaches in managing innovation towards sustaining their competitive advantages in a long term for the benefit of public.

## 1 Introduction

Public nowadays are expecting a better performance of the delivery system provided by the government. Due to this, the government has changed their old paradigm into an improved and effective of the delivery system. This can be seen from the introduction of four concepts including *Cepat, Tepat, Integriti – Produktiviti, Kreativiti dan Inovasi* (CTI-PCI); National Blue Ocean Strategy (NBOS); principle of Value Innovation; and concept of *Merakyatkan Perkhidmatan Awam* (MPA). These four concepts can be achieved through effective management innovation for the improvement in efficiency, effectiveness or quality outcomes especially relevant for the public sector. Thus, Malaysia should redesign and restructure its public sector current systems and processes for a sustainable development and maintaining its competitive advantage [2]. These changes are related to both; management innovation and non-technological innovation, where public sector develops new organizational methods, concepts or other non-technological ways to achieve its organizational objectives [20].

Innovation is related to the radical change in various fields, where it characterizes by the novelty attribute for developing a successful new system. It also describes as a process of transforming new ideas, new knowledge

into new products and services, new technological processes and new organizations [19]. The term 'new' is not necessarily originated from new scientific discoveries, but it comes from the combination of existing technology and their application in a new context [10]. Innovation is implemented to overcome some issues related to environmental changes, economic changes and global competitiveness. It also helps organization to minimize other issues related to cost and resources, create value, maintain competitive position in the market and sustain for long term prosperity [7].

Management innovation is defined as the "generation and implementation of a management practice, process, structure, or technique that is new to the state of the art and is intended to further the organizational goals" [4]. Term "new to state of the art" denotes the management as a whole, new to the world or new to the organization that implementing it [4] [15]. It also said that effective management innovation helps organization to enhance its performance [15], through profit margin and survival in marketplace.

In managing innovation, one of the main factor that influences the innovation is leadership skill. Leadership is defined as a process of social influence to execute activities and relationship within organization [23]. The influence is seen from the leader behavior in consulting, delegating and assigning task, where employees are

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given freedom to participate in decision making process and enhance the motivation to be more innovative. They will develop innovative solution for problems or challenges faced by the organization [12]. They will also set a direction, developing a vision for the future of organization and built strategies to implement the changes needed to achieve a vision. However, building innovative capabilities are not only one's shoulder, but it should be bear by everyone in the organization [5]. Thus, if the commitment and participation from the top management is poor, the employee is less likely to take risk to innovate [16]. Therefore, to encourage innovative action among employees, particularly in the public sector, leaders should be able to deliver positive message that support innovation, for example through participation in creating new ideas or new ways of doing things [17].

In addition, culture is also important in managing innovation because it enables individual to understand how the organization function [21]. It also gives positive impact on management practices and firm performance in innovation [3] [11]. Culture is also used by the organization to determine the process of daily routines within organization and between organization and its environments. In managing innovation effectively, the public sector should be able to understand the function of culture in the organizational. It is believed through culture, organization will become innovative where the traits of involvement and adaptability to execute and implement innovation are found [18]. The culture of an organization can also be shaped through a leadership. Leadership is said to be a key for organizational culture which influence employees' ethical behavior [9]. Through leadership, public sector able to create a mindset of developing any possible solutions in tackling problems using various mechanism such as training, public services, rewards and recognition [8].

Besides leadership and innovative culture, the reward system offered by an organization could also affect the management of innovation in public sector. Reward orientation consists of emphasizing an equitable reward based on the performance of the employees [6]. This reward orientation provides a guideline to the organization and employees on how to offer rewards, gain rewards and encourage employees to innovate. Thus, organization that used rewards system as one of a way to stimulate innovation able to survive and achieve sustainable profitability [13]. Organizational profitability is sustained through new ideas, methods and programs develop by the employees, whereas organization creates value and makes money from the successful introduction of new products and generation of new ideas [22]. This factor affects management innovation in the organization because most of individual is motivated to the reward system which encourage them to contribute more in the innovative activities

This paper identifies three important determinant factors face by the organization, which include leadership skills, innovative culture and reward system. This paper is divided into four sections, beginning with the introduction. Then followed by the research methodology using semi structured interviews to capture

the rich data for data analysis. In third section, findings and discussion are presented and finally, this chapter summarizes and recommends for an improvement to effectively manage the innovation in Malaysian public sector. This study aims to answer these questions:

- a) What are the determinant factors affecting management innovation in the Malaysian public sector?
- b) What improvement can be made to effectively assist in managing innovation in the Malaysian public sector?

## 2 Research Methodology

This research used qualitative research method to collect data as it aims to capture in-depth information and respondent experience through the expressions and words [14]. Besides that, a qualitative is referring to an inductive process where data is gathered to build concepts, hypothesis or theories rather than deductive research where hypothesis is test as a positivist research.

Semi structured interview with purposely selected respondent has been adopted in this study. Six respondents from different agencies in public sector were chosen based on these criteria; (a) high involvement in innovation unit and activities, (b) extensive experience in managing innovation, (c) won innovation award locally or internationally and (d) part of coordinator and executor in implementing innovation approaches. For the purpose of anonymity, six interviewees are identified as PA, PB, PC, PD, PE and PF.

This study apply semi structured interview in order to gather in-depth information that derives from face-to-face interactions between interviewer and public sector towards their opinions on experiences in management innovation. The interview questions is structured by covering the research objectives. Each interview lasted for approximately one hour. The researcher asked permission to record the interview session for the purpose of transcription. An axial coding is used for data analysis and from that the information gathered is categorized into three factors which are leadership skills, innovative culture and reward system.

## 3 Findings and Discussion

Various initiatives are designed by the public sector in implementing innovative activities for the benefit of the society. However, there are certain public sectors that have not successfully implemented the management innovation practiced. This is due to the leadership skills, innovative culture and reward system.

### 3.1 Leadership Skills

In order to successfully innovate, leader should give full support and commitment towards employees when dealing with innovation activities. This can be made

through various forms such as moral support, coaching, training and providing facilities and funding. If the commitment and support from the leader is poorly given, the employees might feel less likely to innovate. All interviewee admitted that commitment and support from the leader is crucial in promoting and managing innovation. Interviewee PA indicates that leader should provide training and give time for the employees to innovate. He said that *“leader should provide training and expertise to provide exposure on innovation. Leader who encourage innovation will give time to innovate”*. This was also agreed by interviewee PB, stated that *“the leader should give high commitment when innovate by actively participating in the innovation team and giving new ideas.”* Interviewee PF emphasize that *“leader should support any ideas because we (the employees) are still in a learning process; and creative ideas is a good ideas. Leader also should be optimist and try to take all ideas. Employees may feel unmotivated if their voice are not heard. Understanding is important as this team (the employees) may need time to focus on innovation work. Furthermore, leader should propose a mechanism to effectively encourage for innovation. By supporting the employees it could propel the organization to become innovative.”*

Therefore, to encourage innovative activities in public sector, leader should deliver positive message that support innovation. He also needs to allow the employees to try new ideas and to be open-minded to suggest new ways for doing things. From this, the employees will feel motivated to involve in innovation activities.

In addition, leaders' behavior could also affect the management innovation in public sector. If a leader fails to perform a good leadership skill, he may not be able to set as example to influence his/her employees to innovate, adopt changes or perform well to achieve institutional goals. Four respondents admitted that leadership skill is crucial in managing innovation in the public sector. Interviewee PA stated that:

*“Leader is a mover in an organization [...] therefore, he should prioritize improvement and changes so that, employees will feel motivated to innovate. When employees do not realize the opportunities of commercialisation in their product, the leader should help and let them see it.”* Interviewee PD agreed and added, *“Leader should help through hand-holding concept and not hands-on only. And every department should also have a leader or someone to push them towards innovation.”* Interviewee PE also mentioned that leader should developed strategies to help the organization to implement innovation in a better way. *“If a leader has formed a barrier in supporting employees to be creative and innovate, they will feel disappointed, down and refuse to innovate.”*

Leader must understand and applied good leadership skill in order to influence and lead his/her employees to a right direction. The employees will be inspired to involve in innovation and make a change to solve organization problems if the leader manage to set as a role model to his subordinates.

### 3.2 Innovative Culture

The implementation of organizational culture is important to understand how management innovation is being shaped. Each organization has distinct culture that derive from the core values, assumptions, interpretations and approaches applied in the organization [1]. A culture helps organization to achieve their organizational goals and developed strategy for sustainability. Without a strong innovative culture, an organization will not be able to maintain their performances and competencies. Three interviewees have adopted a strategic system to develop an innovative culture... Interviewee PC mentioned that:

*“We need to implement strategic system in every department, where we asked them to join competition and innovation. Each department is required to send at least a team to join the competition. They also have to include discussion about innovation in their meeting.”* Similarly, interviewee PD also added that: *“We implement a compulsory innovation system in each department. It means that each department need to come out with at least one innovative ideas. It can be in terms of work improvement, social innovation, new ideas or something big such as process engineering. This really helps in encouraging innovative environment in our department.”*

Interviewee PC and PD indicates that when an organization actively encourages the employees to join innovation activities, the employees will accept gradually and participation rate is potentially increasing. Besides, the organization should also develop an environment or programs that cultivate innovative culture such as trainings, innovation competitions or innovative programs. Interviewee PC stated that:

*“To help organization cultivate and develop understanding about innovation in public sector, we should provide programs on innovation. We also could ask for competition, make it free where everyone can give ideas through write-ups or posters and invite students to join this competition”*.

Moreover, interviewee PB have different opinion, he pointed out that: *“In every agencies, we encourage innovation element in each stage, which is from the top management to the support level. This is one of the way to cultivate innovation.”* A strong culture is developed if all the members in the organization work together. If a leader shows some good ethical behavior as a role model, the employees will get influenced with that behavioral style.

### 3.3 Reward System

Other factor that affect the management innovation in public sector is the reward system. Reward or recognition could attract and influence people to innovate as they feel appreciated and motivated. Four interviewee's claims that rewards and recognition are crucial in promoting innovation culture and encourage employees to innovate.

Interviewee PA state that: “organization needs to be creative when giving a reward so that it can attract the employees. Instead of giving money, sometimes the organization may sponsor for an oversea holiday.” Interviewee PC also agreed that: “we provide gifts, reward and appreciation for those involved for them to be more motivated. This is normal attitude of an individual, they will feel appreciated when they got something from us.” Interviewee PF also identified that the employees are very attracted with competition especially the prize, “they like the competition because they want the rewards. So, if we want to encourage innovation and new ideas, we need to give high reward for that category”.

However, two interviewees have different opinions. They avoid from giving high reward to employees as they worry it may cause the employees to lose their focus. Interviewee PE mentioned that: “when innovate, we did not encourage gifts or reward, we do not want them to be over-confident after winning [...] we should consider the external and internal factors that help you (the organization) to win. I believe a success does not depend on them only but the whole team too.”

Before giving rewards to the employees, it is also important to consider the organization accountability. Interviewee PB stated that: “winners will receive gift and incentive as a way to motivate them, but the incentive should depends on the accountability of the organization. If they afford, they can provide very high incentives.” With the current condition of limited budget, public sectors have to find their innovative and creative way to stimulate innovative activities at their organization.

#### 4. Conclusion

Public sectors have contributed a lot to the society in providing a better services and supports for the development of nations and society as a whole. They implement innovation in the management and conduct various programs to encourage employees to be innovative and creative. However, due to some restrictions and obligations, there are some drawbacks faced by the public sector in managing innovation effectively. Based on semi-structured interview, this study found three main determinant factors that affecting management innovation; a leader should show his full commitment towards innovative culture, he needs to be committed and supportive and communicate well with the employees, he also should provide attractive rewards to encourage the innovative culture for an effective management innovation.

This study endorses that a program and training development should be built for leaders and employees to sharpen their skills and to be innovative. Moreover, a well-structured and strong culture should be created in the public sector to cultivate innovative capabilities. In order for public sector to sustain its competitive advantage, it should be more adaptive and responsive to employees and environment.

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