THE IMPACT OF ORGANIZATIONAL CULTURE ON INNOVATION CAPABILITY OF SMEs

CASE STUDY OF SMEs IN ALIMOSHO AND OJO LOCAL GOVERNMENT AREA OF LAGOS STATE, NIGERIA

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Abstract

Business plays a vital role in the life and culture of countries provides basic necessities such as food and housing whereas organizational culture is an important construct that affects both individual and organizational related process and outcomes. Organization culture is defined as area of knowledge concern with entire fundamental assumptions that a given group has invented while learning to solve problems of adaptation to the environment and internal integration. Innovation capability influence organizational performance in several ways. The analyzed the impact of organizational culture on innovation capability of SMEs using SMEs operating in Alimosho and Ojo Local government Area of Lagos State as case study. Data were sourced from primary sources using questionnaire as the instrument of data collection and the hypothesis was tested using non-parametric Spearman rho. It was discovered that there is a meaningful relationship between organizational culture and innovation capability of the SMEs, but the extent of these influences vary from the most effective (Clan culture) to the less effective (Hierarchy Culture). Therefore it was recommended that large companies take the best care of appropriate equipment at the workstations and make same available to work force and allow flexible employees' access.

Keywords: Organizational Culture, Innovation, Innovation Capability, SMEs, Organizational Performance, Nigeria

INTRODUCTION

Nigeria with an estimated population of 170 million people, is blessed with all manner of natural resources like solid minerals, bauxite, limestone, oil and gas complimented by sizeable skill human capital yet it has not translate into economic development and improvement in welfare of its people. Nigeria like other developing nations are characterized by lacks of industrialization, lack of infrastructure, under developed agriculture, untapped natural resources, and low per capita income as a result of low income from low investment. Peculiar to Nigeria is two decades of military rule which drag the economy in the murky state of hyper and consistence inflation, unstable interest rate and the naira exchange rate and the employment rate was astonishing. The education system was not getting better with dilapidated infrastructures and many children who are supposed to be in school roam the streets of major cities in the country. The power sector also did not fair better has 2000 megawatts of electricity was for the estimated population. With all these, the public sector was crippled and still suffers from ineptitude and corruption.

Many investors are struggling to justify investments in an enterprise; most of the challenges are unique to the business, service or industry. These problems can be difficult to address and are a recurring themes across organizations of all sizes, shapes and industries. Almost all organizations are face with cultural barriers which pose more challenges especially when it is an international corporate. Now-a-days, the management of an organization does not only have the traditional issues and problems to tackle, they also have to deal with the modern challenges of management. These modern challenges which is referred to as the management challenges of the 21st century, require skills, in-depth management knowledge and a vision to anticipate what is to come which is expected to culminate in a strong advantageous culture that is required in the world full of competition. The effects of organizational culture in today's business are to match itself with new human values and styles of development which have brought new era in enterprises. The human value and factor plays a very significant role in the innovation process, ranging from personality of managers managing teams of employees, willingness and motivation of managers to take risks, the attitude of employees and the components of employee–employer interactions.

An enterprise is a business organization which is a legally recognized organization having its own privileges, and liabilities distinct from those of its members designed to provide goods, services, or both to consumers or tertiary business in exchange for money (Babajide and Ogundare; 2015). The etymology of "business" relates to the state of being busy either as an individual or society as a whole, doing commercially viable and profitable work. The term "business" has at least three usages, depending on the scope — the singular usage (above) to

mean a particular company or corporation, the generalized usage to refer to a particular market sector, such as "the music business" and compound forms such as agribusiness, or the broadest meaning to include all activity by the community of suppliers of goods and services. However, the exact definition of business, like much else in the philosophy of business, is a matter of debate and complexity of meanings (Sullivan and Sheffrin, 2003).

In ensuring development of enterprise, it is necessary for managers to be enterprising and continuously interested in innovation activity of a diverse nature, from the groundbreaking and pioneering innovations to minor modernization that bring measurable effects (Mehta and Krishnan; 2004). Organizations that want to be innovative must transform their organizational culture so that it has pro-innovative character.

Many scholars has carried out research on the effect of organizational culture and innovations on performance of an enterprise (Navanjo-Valencia et. al., 2011), using blue chip companies and Multi National Corporation. It was discovered that powerful organization culture impact much on strategy implementation as well as the formulation of a strategy which is critical to its execution which also considered to be vital to performance of enterprise.

Only organizations formulate and implement good strategy achieve good records on performance. Is of note that the studies related to the effect of organizational culture on different outcomes are quite extensive, yet, the role of organizational culture on innovation is relatively limited (McLean, 2012; Valencia *et al.,* 2010) and thus it is chosen as the subject of this study is based on organizational culture as it affects innovation capability of the firms. The paper is specifically on the impact of organizational culture and innovation capability of the Small and Medium Enterprises in Nigeria. The paper is set to analyze the effects of culture's components on innovation strategy implementation necessary for SMEs development in four sections. Section one is the introduction, section two is dedicated to review of literature which comprise of conceptual framework, review of relevant recent literature in other to establish the role of organizational culture on innovation capability of an Enterprises in other to validate the potential of competitive advantages out of their cultures through innovation process while section three is the methodology and analyses of results and four is the discussion of results conclusion and recommendations

LITERATURE REVIEW

Business plays a vital role in the life and culture of countries with industrial and post-industrial. In free market systems, prices and wages are primarily determined by competition and in the Nigeria many people buy and sell goods and services as their primary occupations. Business provides basic necessities such as food and housing and just anything consumers want or

need. But corporation has been defined as an entity or a company that is legally allowed to do business as a legal entity within the confine of the law of the land (Carpenter, 2001). The majority of corporations are small, but in practice a few giant corporations dominate vast sectors of the global economy, accounting for much of world economic output.

Conceptual Framework

Generally, business could be defined according to Egbetokun, et al; (2009) as an action which occupies time and demands attention as oppose to pleasure or recreation. It can further be defined as anything one engaged or occupied within a space of time that keep one busy with expectation of tangible return.

Organizational Culture

Organizational culture is an important construct that affects both individual and organizational related process and outcomes. In literature there is no consensus on definition or what constitute organizational culture (Hatch and Zilber; 2012). They further posited that cultures cannot be accurately or completely described at all. Abu-Jarad et al, (2010) opined that it is defined from different perspectives. The researches on the subject of organizational culture and its effect on other organizational variables became widespread during 1980s. According to Lund (2003) 1980s witnessed a surge in research on impact of organizational culture on employees and organizations performance. The definitions take different shapes depending on the concept they reflect, the authors' perspective approaches and emphases. Research and practical experience of the 1980s revealed two different approaches to defining organizational culture. Culture is treated as an internal subsystem of the organization, allowing individuals to adapt to the environment while in this approach, the company has a culture, it is descriptive and it is often sufficient to make a list of some features of company personality. In the second approach, the company is treated as a culture, that is a system of knowledge that each of its members can interpret through their mind. This approach allows access to the dynamics of the social system in all its complexity, and then it leads to the concept of corporate identity (Garcia-Torres, and Hollanders, 2009).

But Akman and Yilmaz (2011) opined that between 1983 and 1986 most of the leading journals in management have dedicated issues to this topic and brought up definitions from leading Scholars in management. Schein, (2009) defined organizational culture as a beliefs, assumptions, and values that members of a group share about rules of conduct, leadership styles, administrative procedures, ritual and customs. Lund, (2003) defined organizational culture as the shared philosophies, ideologies, values, assumptions, beliefs, expectations,

attitudes and norms. Other Scholars also define as the human invention that creates solidarity and meaning and inspires commitment and productivity (Lund, 2003) or a system of shared values and beliefs that interacts with a company's staff, organizational structure, and control systems to produce behavioral norms within the organization (Lund, 2003). García-Muiña, and Navas-López, (2007) in their definition considered the key role of external environments as (all elements outside the boundary of the organization) to which an organization needs to adapt.

Abu-Jarad *et al.,* (2010) provide a definition that most authors would agree with, they defined organizational culture as something that is holistic, historically determined (by founders or leaders), related to things anthropologists study (like rituals and symbols), socially constructed (created and preserved by the group of people who together form the organization), soft and difficult to change. Organizational culture affects various outcomes related to the employees and organizations. Saeed and Hassan, (2009) in agreement with Ahmed, (1998) and Vincent *et al.,* (2009), that organizational culture affect employee behavior, learning and development, creativity and innovation while Tseng, (2010) add knowledge management, Oparanna, (2010) and Tseng, (2010) further add performance.

A definition of organizational culture which has been widely adopted by researchers dealing with this area of knowledge was formulated by culture is the entire fundamental assumptions that a given group has invented, discovered or developed while learning to solve problems of adaptation to the environment and internal integration. These assumptions have been proved by the practice to such an extent that they can be considered as relevant and true so they can be instilled in each new member of the group as a correct method of feeling and perception, the correct way of thinking about the problems of teamwork (Shan, and Zhang, 2009)). Common elements can be found in all of these definitions. They highlight the assumptions, norms and values of the participants and the resulting ways of action or behaviour. It is a kind of mental community understood as the basis of the entire organizing activity and underlying the specific tasks that the organization has to complete.

Organizational culture is classified in different ways. Cameron and Quinn's (2006) developed the competing values framework model and has been used in many empirical studies on organizational culture (e.g. Valencia *et al.,* 2009) and it is also used in this study. Cameron and Quinn (1999) define four types of organizational cultures; adhocracy, clan, market and hierarchy.

Innovation Capabilities
The word "innovation" is derived from the Latin word *novus* or "new", and is alternatively defined as "a new idea, method or device" or "the process of introducing something new (Cerovic,

Kvasic, and Cerovic, 2011). Innovation is defined as the development and implementation of new ideas by people who over time engage in transactions with others within an institutional order (Van De Ven, 2006). Innovation is encouraged through appropriate cultural norms and support systems. Ahmed (1998) claims that innovation is the engine of change and culture is a primary determinant of innovation.

Innovation involves various activities aimed at providing value to customers and a satisfactory return to the organizations (Ahmed, 1998). Drucker, (1954) sees innovation as one of two important business functions. Business organizations view innovation as a means toward achieving and sustaining strategic competitive advantage (Mehta and Krishnan, 2004)). Innovation capability is defined as comprehensive set of characteristics of an organization that support and facilitate innovation strategies (Burgelman *et al.,* 2014). The innovation capability consists of abilities to create and carry new technological possibilities through to economic practice. The term covers a range of activities from capability to invent to capability to innovate and capability to improve existing technology beyond the original design parameters (Loewe and Dominiquini, 2006).

Innovation capability influence organizational performance in several ways. Capabilities that firm possess in general are crucial in obtaining and sustaining competitive advantage (Akman and Yilmaz, 2011). In particular, innovation capability is associated with several strategic advantages. For instance, Shan and Zhang (2009) noted that sustained competitive advantage can be achieved by raising independent innovation capability continually in the firms. Innovation capability seems to be associated with the organizational potential to convert new ideas into commercial and community value.

Innovation capability is related to a variety of factors and thus is affected by different internal and external factors (Bullinger, et al; 2009). While innovation is a complex concept, research identifies five key areas that influence the ability of organization to innovate. These influences relate to leadership; opportunistic behavior; culture and change; learning; and networking and relationship building. This study suggests that organizational as an important organizational factor affecting innovation capability of the firms.

Small and Medium Scale Business

The concept of Small Scale Industry (SMI) has no generally accepted definition, according to Oyefuga, et al; (2008) classification of businesses into large, medium or small scale is a subjective and qualitative judgment. He further opined that small businesses are generally quite responsive to their environment. The environment is always dynamic and this affect what constitutes a small business at a particular point in time. Oyefuga, et. al; (2008) add that

definition SMI aims at is to set some limits (lower and upper) that will assist in achieving the set purpose. Such limits can be in terms of level of capitalization, sales volume, employment generation (i.e. number of paid employees) and so on.

Officially, countries in the world defined small business in terms of annual turnover, and the number of paid employees. According to Britain's House of the Lord (2000) small business is defined as that industry with an annual turnover of two (2) million pounds or less with fewer than 200 paid employees. Whereas, in Japan, World Trade Organization, (2001), defined small business according to the type of industry's paid up capital, and number of paid employees. Consequently, small/medium enterprises in Japan are those in manufacturing with 100 million Yen paid up capital and 300 employees and those in wholesale trade with 30 million Yen paid up capital and 100 employees, and those in the retail and service trades with 10 million Yen paid up capital and 50 employees. Bangladesh, according to the Industrial Policy (1972-73), defines a small industry as a unit with not more than TK2.50 million in fixed assets including the value of land. European Union (EU) in conjunction with EU Commission and the European Investment Bank generally define an SME as any firm with a workforce not exceeding 500, with net fixed assets of less than Euro 5 million, and with more than one third of its capital held by a larger company-these three conditions being cumulative. As such, SMEs are responsible for more than two-thirds of total employment in industry and in excess of 50% in service. In India a small unit was first defined as one employing less than 50 workers (with the aid of power) and 100 workers (without aid of power) and with an investment in fixed assets not exceeding Rs.5 laks. Later, over a period of time, definition was revised. Now, a small industry in India is defined as one having investment of up to Rs. 35 lakhs in the case of ancillary unit. Within Small Scale Industry, tiny sector is encouraged where investment limits is Rs 2 lakhs.

But in Nigeria, the emphasis is on turnover and cost. The Central Bank of Nigeria in its Monetary Policy Circular No. 22 of 1988 defined small scale enterprises as having an annual turnover not exceeding N500,000.and for merchant banks loans those enterprises with capital investments not exceeding N2 million (excluding cost of land) or a maximum of N5 million. National Economic Reconstruction Fund (NERFUND; 2000) put the ceiling on capital investments for small scale industries at N10 million. In Section 376(2) of the Companies and Allied matters Decree (CAMD) of 1990 therefore defines a small company as one with a small turnover of not more than N2 million or net asset value of not more than N1 million. This definition respond to changing pattern of the environment (industrialization, improve technology, globalization etc). In summary, small business can be categorized as follows;

(a) Micro enterprise: Small business with upper capital base of N1 million and not more than two (2) employees,

(b) Small enterprise with capital base between N1 million and N3 million and number of employees between 2 and 10,

(c) Medium enterprise is small business with capital base of N3 million and N10 million and between 10 to 50 number of employees

(d) Large enterprise is classified as business with capital base above N10 million and number of employees above 50.

## *The Impact of Culture on Company Innovation*

An element of the company's organizational culture is an innovation-oriented culture, which consists of: innovation-oriented motivation, innovative competence, behaviour in the innovative situation, as well as the style and quality of management determining the climate for innovation. The innovation-oriented culture may be defined as the need for the maximum number of innovative ideas to appear within a certain period. Innovative culture is a way of thinking and behaving that creates, develops and establishes values and attitudes within a firm, which may in turn raise, accept and support ideas and changes involving an improvement in the functioning and efficiency of the firm, even though such changes may mean a conflict with conventional and traditional behaviour. In order to build innovative culture certain requirements must be met, involving six kinds of attitudes: the ability of managers to take risks, encouraging creativity, participation of all employees in building innovation-oriented culture, responsibility of both managers and employees for their actions, allowing employees to develop their interests and use their unique talents, developing the company's mission, which the employees will identify with; providing employees with a sense that their work is meaningful and has a positive impact on the achievement of objectives (Marcoulides, and Heck, 2013).

Maher (2014) identified seven dimensions of culture implementation that can distinguish innovative organizations as shown in figure 1 below. This cultural implementation forms a framework which leaders can use to assess and strengthen innovation within an organization:

❖ All employees should be able to try new ideas without fear of consequences of negative outcome on their job. Hence management should have interested in learning by mistakes rather than fear of punishment as results of failure or ill advised. Management should cherish situation when mistakes are made as results of implementation of new ideas than absence of mistakes as result lack of ideas.

❖ Employees will try new ideas when there are supports from management. The employees will have independence in action which will motivate them to develop innovative ideas backed by financial support;

❖ Training and research is the basic resource for innovation, management should employees by exposing to knowledge from both inside and outside the organization and create conducive environment for research;

❖ From research organization objectives promotes innovation hence management should give a clear signal that innovation is highly desirable, by setting ambitious goals in different areas and communicate same in clear and unambiguous term;

❖ the support for innovation is the symbols and rituals, whose main objective is to identify innovative behaviour and an incentive for this type of behaviour is such symbols and rituals that refer to internal and individualized motivation of individual employees;

❖ in organisations with high innovation-based effectiveness, innovation is a product of the intended use of practical tools; leaders must consider how to build potential and capability in employees that are aware of methods of creative thinking, management and implementation of ideas;

❖ a dimension of the relationship, which refers to the models of interaction within the organisation; innovative ideas are rarely the product of a lone genius, therefore building a collaborative environment, accepting different ways of thinking, different viewpoints and diversity provide a good basis for the growth of innovation.

Figure 1: Dimensions of Innovation Culture
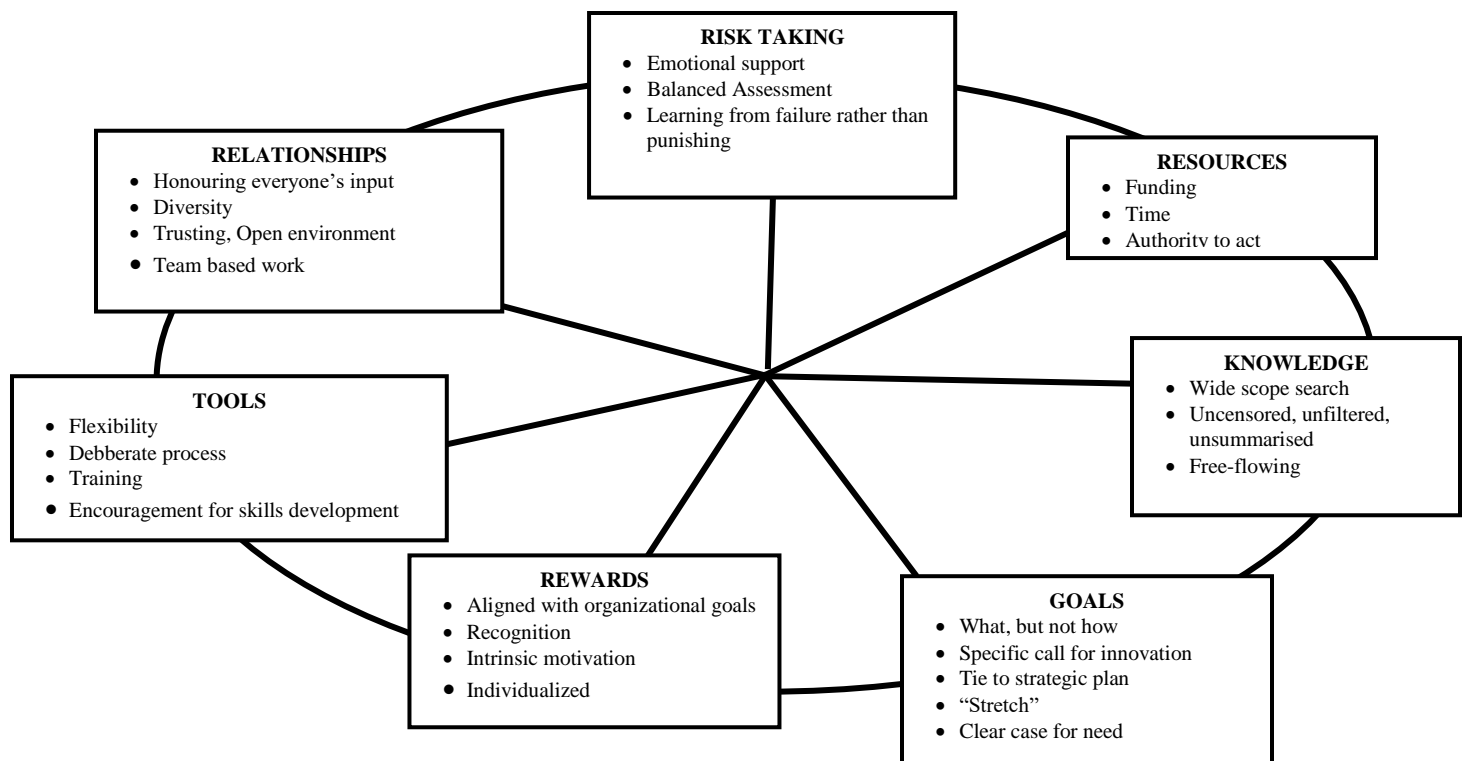
Source: Maher, 2014.

The Importance of Organizational Culture for Innovation in the Company

Organizational culture that supports innovation is also characterized by the level of education and general management, economic and social knowledge, efficient systems of communication in the organisation, ambition and the atmosphere of competition, incentive schemes, free exchange of innovative ideas proposals (ideas), a lack of arrogance and egoistic attitudes, announcing authors of success and those who assisted in this process (Mehta, and Krishnan; 2004). The characteristics of pro-innovation organizational culture include: creating a climate that would be favourable to organizational changes, developing knowledge and skills and sharing knowledge, tolerance for risk, uncertainty and novelty, implementing democratic principles of decision-making and conflict solving, supporting group activities, building an atmosphere of recognition and respect for innovators, supporting creative thinking and problem solving (Marcoulides and Heck; 2013). Excellence in leading innovation has everything to do with how that leader creates a culture where innovation and creativity thrives in every corner. The things that leaders must do to foster innovation are: focus on outcomes, develop reciprocal trust, challenge the status quo, be inspiring (Tseng, 2010).

Factors of SMEs Culture that Stimulates Innovation

Nigeria has made several attempts to establish a viable and successful small-scale industrial climate. In 2009, Egbetokun, et. al., (2009) saw the efforts made so far as having little impact since the emphasis then was concentrated mainly on the provision of capital without concern with the organizational culture and at the complete neglect of programme to identify the impact of peculiarity of the organization to her survival, training, motivating trainers and trainees (entrepreneurs) in other to bring the best innovation and to follow up the progress of entrepreneurs. The country has over the past four decades stated and pursued the objective of accelerating the pace of development in the bid to transform into the group of developed or industrialized economies.

This phenomenon is characterized by large and formal enterprises (mainly multinational corporations, parastatals and foreign-owned enterprises), on one hand, and small enterprises dominated by indigenous businesspersons, on the other hand. It is established that SMEs faced information bottlenecks which are manifested in the poor access and under utilization of local information, poor data generation, information management, communication and dissemination.

Awareness coupled with the need to stimulate the economy through the export trade led to workshop on entrepreneurship by the Nigeria Bank for Commerce and Industry (NBCI) in collaboration with the Federal Ministry of Trade to examine and evaluate the implications of the Indian Experience in EDP development. This policy towards the informal business sector is

traceable to a report by the International Labor Organization in 2002 on Kenya's employment situation. Under the policy an industrial estate was conceptualized as an agglomeration of enterprises linked to common infrastructural, commercial and technical services. These policies created a polarized industrial structure often referred to in the literature as the missing middle phenomenon.

García-Muiña, et. al (2007) observed that SMEs in developing countries achieve productivity increases to a great extent simply by borrowing from the shelf of technologies available in the world. The prerequisites of innovation in SMEs include the resources directly affecting innovation: human capital (in particular its competences, including the level of education and qualifications, knowledge and skills of employees, research staff, as well as leadership skills of managers and continuity of management guaranteeing the long-term character of innovation processes), accumulated knowledge (measured by expenditure on research), material and financial resources (machinery, equipment, buildings, licenses and patents), organizational resources (including the size of the company, which is associated with motivation and dynamics of innovation) (Obenchain, and Johnson; 2004).

According to Maher, (2014), organizational culture crucially prevents or facilitates the implementation and maintenance of innovation in the organization. According to Maher (2014), organizational culture is a major factor which affects the speed and frequency of innovation.

Theoretical Framework

Past researches focused on studies of culture and its relationship to organizational performance and effectiveness (Fey and Denison, 2003); organizational culture, commitment and job satisfaction (Zain et al., 2009), organizational culture and change Naranjo-Valencia, (2011) studied organizational culture and learning. McLean, (2012) studied the popularity of organizational culture. He concluded that culture can be used as a tool for achieving performance while Mehta and Krishnan (2004) found that strong organizational cultures help management to charismatic and influential. Organizational culture seemed to have some substantial influence on organization's strategy (Valencia, et. al; 2010). Archibugi and Pianta, (2006) suggests business strategy and organizational culture are essentially synonymous. Akman, and Yilmaz, (2011) introduces strategy as a product of culture. However, the relationship between culture and employees innovation receives no or limited attention. According to Buul (2010), a fundamental part of managing strategy implementation process should be concern with innovation as bedrock competition in the market. (Van De Ven, 2006). What the literature has not clarified is relationship between organization culture and innovation; either organization cultures serves to strengthen or undermine employees' innovation process.

Hence, this research employ Cameron and Quinn model (1999) and investigate every culture's relationship with innovation process in an organization.

It is very necessary to ensure enterprises development and for managers to be enterprising and continuously interested in innovation activity of a diverse nature, from the groundbreaking and pioneering innovations to minor modernization that bring measurable effects in SMEs (García-Muiña, et. al; 2007)). Organizations that want to be innovative must transform their organizational culture so as to support pro-innovative character. Loewe and Dominiquini (2006) believe that organizational culture and values are one of the four– in addition to leadership behaviours, management processes, people and skills–key areas for effective implementation of innovation. On the basis of these areas, sustainable internal competence is built for innovation as a continuous process, not incidental, short term effort (Figure 2 below).

Organizational culture can effectively promote or inhibit cooperation, exchange of knowledge, experience and ideas. Open culture, promoting the participation of all team members in the creative process, is favourable to the activity and initiative of employees, while culture based on strong control is definitely not conducive to creativity and innovation. Cultures aimed at developing innovation and creating suitable conditions for doing so are characterized by dynamism, flexibility, fast adaptation to changing conditions, and non-stereotypical solutions. A key to the development of innovation in an organization is support, and encouragement for every employee to seek and discover unconventional, non-standard ways of achieving objectives and performing tasks. Thanks to the participation, an employee has greater responsibility, but also bigger motivation (he/she is not only the "robot", an individual carrying out a superior's order).

However, it is necessary to create an environment giving a sense of security, lack of fear, both of criticism and "theft" of the idea by co-workers, and a transparent incentive system taking into account the initiative of employees and rewarding for their active participation in the innovation process, while allowing and accepting impractical solutions, mistakes and risk associated with them. The efficient flow of information is also important- understanding the reasons for and benefits of the changes by all sides involved is necessary for their effective implementation.

Personalities of team managers, who initiate new projects, or give the "green light" to the initiatives, submitted by employees, is also significant (Garcia-Torres, and Hollanders, 2009). Excessive formalization and bureaucratization of processes, as well as extensive control structures are not conducive to innovation. They both delay the decision-making processes, and inhibit the creativity of employees (Loewe and Dominiquini, 2006).

Figure 2: Key areas of a Systemic Innovation Capability
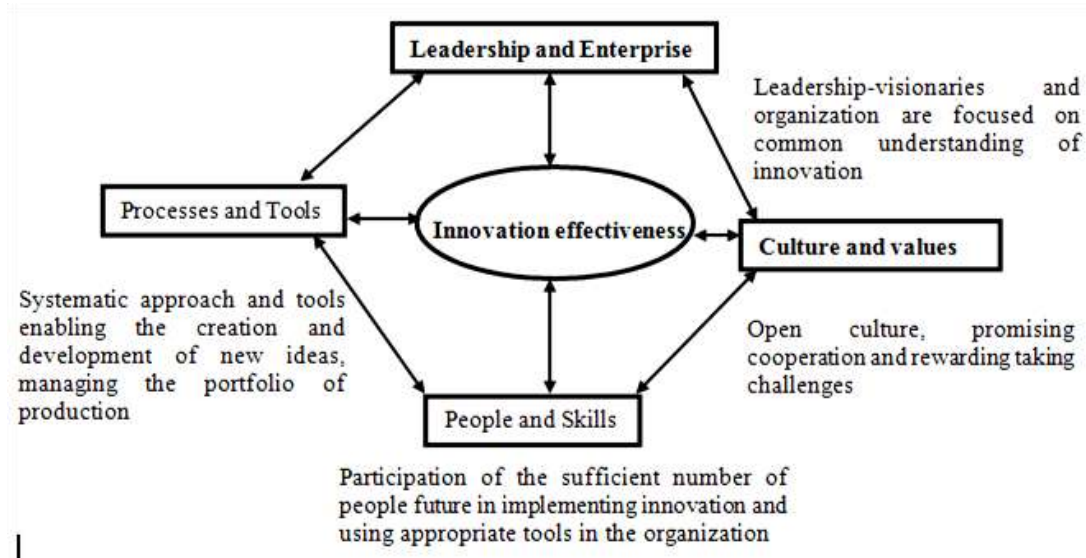
Source: Loewe and Dominiquini, 2006.

Empirical Framework

Organizational culture is associated with several individual and organizational outcomes and in this study is argued to have implication for the innovative capabilities of firms.

Theoretical argument suggests that the effect of organizational culture on firms is enormous with different implications. Saeed and Hassan (2009) argued that understanding corporate culture is essential since it influences the thoughts, feelings, interactions and performance in an organization. Similarly understanding corporate culture is required to improve organizational performance (Zain, et al., 2009). Corporate culture influence the behavior of employees who through the adopted systems of value and norms of behavior keep the tradition, transmit it to new employees and contribute to the achievement of organizational goals (Cerovic, et al., 2011). A strong, positive organizational culture is critical to learning, development and sharing (skills, resources, and development) (Bullinger, Bannert, and Brunswicker; 2009). Oparanna (2010) contend that organizational culture stimulates or engenders several important activities and initiatives, leading to the success of the firms.

Empirical studies also provide evidence of link between organizational culture and organization related performance outcomes. Becheikh, et al; 2006) reported that culture was found to impact a variety of organizational processes and performance. The strength of cultural values was found to be correlated with the organizational performance of firms in a few cases. For example, Marcoulides and Heck (2013) found that organizational culture has a strong direct effect on organizational performance. Oparanna (2010) found that organizational culture is an

important variable to be considered in firm performance. The results from the study of Zain et al., (2009) indicate that corporate culture motivates the employees to be committed to their organization. Tseng (2010) found that adhocracy culture improve firm performance more than clan and hierarchy cultures.

Organizational culture also affects organizational innovation capability. Vincent et al., (2009) argued that role of environment; organizational capabilities, organizational demographics and organizational structure variables affect innovation in firms. In particular, organizational capabilities and structure account for the greatest level of unique variance on innovation. Ahmed (1998) argued that culture is a primary determinant of innovation and possession of positive cultural characteristics provides the organization with necessary ingredients to innovate. Several characteristics of culture can serve to enhance or inhibit the tendency to innovate in firms (Ahmed, 1998 and McLean, 2012). McLean (2012) discussed that organizational culture related characteristics and organizational climate dimensions are related to the supports of or impediments to creativity and innovation. While, organizational encouragement, supervisory encouragement, work group encouragement, freedom/autonomy, and resources support the ability to innovate, the control reduces creative and innovative ability of the organizations. The way different dimension of culture and related characteristics affect innovation capability and innovation in the firms seem inconclusive. Audretsch, Lehmann and Warning (2013) noted that there is no agreement regarding what type of organizational culture foster innovations. They argued that characteristics of innovating firms such as open-minded thinking, open and rule-free environment were not present in their study. Instead, characteristics that are assumed to negatively affect innovation were found to be present in innovating organizations. Several organizational characteristics associated with different dimensions of organizational culture affected innovation. Supporting this, Ahmed (1998) argued that identifying and proposing one type of culture for innovation in organizations can be misleading. A conclusion from these studies is that proposing certain organizational cultural dimensions and characteristics as panacea for innovation can not reflect the reality experienced with organizations. Rather, all the characteristics related to different dimensions of organizational culture with varying degrees may affect innovation capability of the firms.

Looking deeply into the different characteristics of each organizational culture dimension support our argument because most characteristics associated with each dimension can be argued to influence innovation capability of the firms. There four organizational cultural dimensions used in this study; clan, adhocracy, market and hierarchy. Cameron and Quinn (2006) views clan culture as a friendly place where extended family members work together. The clan culture is characterized with loyalty, morale, commitment, tradition, collaboration,

teamwork, participation and consensus, and individual development (Tseng, 2010). Adhocracy culture is characterized as a dynamic, entrepreneurial innovative and creative workplace (Cameron and Quinn, 2006; Tseng, 2010). A market culture is regarded as a results-oriented workplace with emphasis on winning, competition, escalating share price and market leadership (Cameron and Quinn, 2006). A formalized and structured place along with procedures, well defined processes and a smooth-running organization are the main characteristics of hierarchy culture (Cameron and Quinn, 2006). The long-term concern of this type of culture is the stability, predictability and efficiency (Tseng, 2010). These characteristics except some can be argued to influence innovation capability of the firms. Therefore, logical and reasonable hypotheses derived from these theoretical and empirical studies would be as follows:

METHODOLOGY

The aim of the study was to investigate the impact of organization culture as the determinants of innovation in SMEs surveyed, in particular an innovative climate and culture favourable to innovation.

Sampling Design

The research was conducted by means of a direct survey. The instrument of data collection was questionnaires which consisting of mixture of Likert-scale and closed-ended questions. A five-point Likert scale was employed to gather responses, 5 indicating "maximum agreement" and 1 "no agreement". Non-random sampling was applied and advantages and disadvantages specific to this method of sampling were considered. The quantitative sample of the internal determinants of innovation activity in companies in the category of Small and Medium Scale Enterprises with employees less than 250 staff were taken for analyses.

Data Collection Instrument

Questionnaire was self administered in SMEs located in two local government council of Lagos State (Alimosho and Ojo Local Government Area of Lagos State). The data was collected in between September and October 2015.

Models

It is very complicated to measure a typology of organizational culture into organizational innovation. The questionnaire items were derived mainly from previous studies and modified to fit to the nature of this study. Organizational culture items were adapted from Cameron and Quinn (2006) and translated into Nigeria situation. Six innovation capability items were taken

from the study of Calantone *et al.*, (2002) and Lin (2007). However, we apply Cameron and Quinn model (1999), the Competing Values Framework (CVF). Even though there are other typologies of cultures (Reigle, 2001; Wallach, 1983; Goffee and Jones, 1998), the CVF is one of the most extended and comprehensive and has been used in many empirical studies (Naranjo-Valencia et.al, 2011; Sanz-Valle et.al, 2011; Lao and Ngo, 2004; Igo and Skitmore, 2006; Obenchain and Johnson, 2004). The Cameron and Quinn's CVF model uses two dimensions to categorize culture into four types.

By considering two dimensions, stability versus flexibility and internal focus versus external position, Cameron and Quinn (1999) proposed a model (Figure 3) which describes four types of culture: Hierarchy, clan, market and adhocracy. This research is based on the impact of organizational culture and innovation capability on SMEs development, in order to clarify the relevance of culture to organization innovation, Cameron and Quinn model (1999) was used and investigate every culture dimension identified and their relationship with innovation in SMEs. Hence these hypotheses are formulated thus;

H_{O1}: Clan culture dimension of culture does not have impact on innovation capability of the SMEs

H_{O2}: Adhocracy culture dimension of culture has no influences on innovation capability of the SMEs

H_{O3}: Market culture dimension of culture does not have affects on innovation capability of the SMEs

H_{O4}: Hierarchy culture dimension of culture has no relationship with innovation capability of the SMEs

Figure 3: Proposed Model
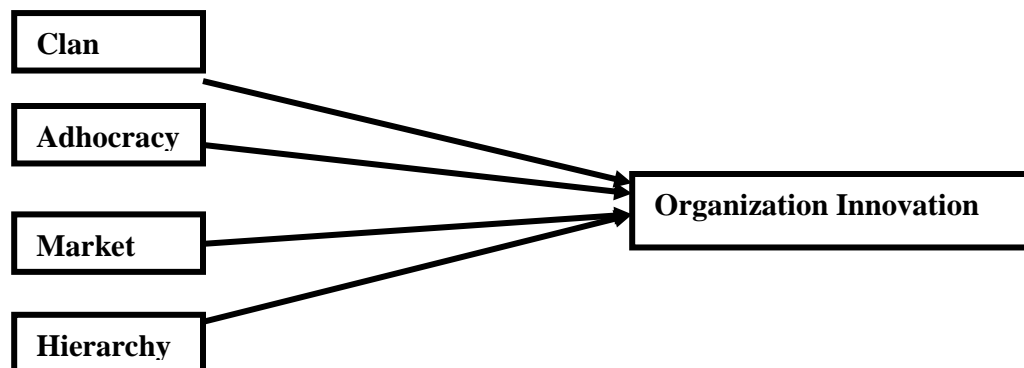
Source*:* Modified from Cameron and Quinn model, 1999.

According to the model, hierarchy culture, based on Weber's bureaucracy theory, focuses on internal efficiency, cooperation and sticking to dominant characteristics. Clan culture (family culture), also focuses on internal issues but its emphasis is on flexibility rather than stability. In this kind of culture, partnership, teamwork, and corporate commitment to employees are regarded as mail characteristics. Market culture is control oriented and focuses on external organization affairs. Organizations with this culture use observation and resistance to reach higher level of productivity and competitiveness. Finally, adhocracy culture tended to external

Data Analysis Approach

The group of those surveyed does not authorize to make generalizations, but allows the identification of the specific mechanisms and formulation of questions and conclusions. Tested on a larger sample, they will make it possible to formulate more documented and certain, useful theses on a larger scale. The data was first analyzed using basic statistical techniques. Data analysis was accomplished using IBM SPSS Statistics 21.

ANALYSIS AND FINDINGS

Table 1: Distribution of the Respondents

Response		Frequency	%	Response		Frequency	%
Sex	Male	95	63.33	**Age**	Below 26 Years	06	4.0
	Female	55	36.67		25-30 Years	09	6.0
	Total	**150**	**100.0**		31-35 Years	25	16.67
Status	Management	63	42.0		36-40 Years	26	17.33
	Middle Manager	47	31.33		41 Years and above	34	22.67
	Admin Staff	40	08.0		**Total**	**150**	**100.0**
	Total	**150**	**100.0**				

Comments

Descriptive statistics show that 63.33% of the participants are male and 36.67 are female. The age distribution of the respondents vary between below 26 years (4.0%), 26-30 years (6.0%), 31-35 years (16.67%), 36-40 years (17.33%),41 years and above (22.67%). These results support the notion that managerial positions in enterprises are still dominated by young males in Nigeria. The results show that most managers of enterprises are within the age bracket of 31 and above, which is in line with population distribution in Nigeria (Nigeria Population Census; 2006).

Table 2: Distribution of the Respondents According to Qualification and Experience

Qualification	Frequency	%	Experience	Frequency	%
High Schools (SSCE, GCE or NECO)	40	26.67	5 years Below	36	24.0
NCE/ND	18	12.0	6-10 years	41	27.33
HND/BSc	72	48.0	11-15 years	36	24.0
Higher Degree	20	13.33	16-20 years	29	19.33
Total	**150**	**100.0**	21years above	8	5.33
			Total	**150**	**100.0**

Comments

Educational distribution of respondents shows that high schools 26.67% of the total respondents, NCE/ND are 12.0% while HND/BSc are the majority with 48%, other higher degree are 13.33%. These analyses show that the respondents will be able to comprehends the item in the questionnaire and provide logical and informed information.

The working experience of the respondent shows that respondents with most years of experience have between 6-10 years with 27.33% of the total respondents while respondent that 11-15 years and 5 years below 24% of the total respondents. This analysis shows that the selected majority of respondents are experience and able to share information on the subject matter**.**

Table 3: Distribution of the Respondents According to Nature of Organization

Response	Frequency	%
Micro enterprise (with Capital base limit 1 million Naira or employed 2 staff	42	28.0
Small enterprise (Capital base between 1-3 Million Naira or employed between 2-10 staff	18	12.0
Medium enterprise (Capital base between 3-10 million Naira or employed between 10 and 50 staff	63	42.0
Large enterprise (Capital base above 10 million Naira and employed above 50 staff	27	18.0
Total	**150**	**100.0**

Comments

The analysis in the table above shows the nature of the respondents' organization, majority of the works in medium enterprises with 42% while 28% works in Micro enterprises.

Hypotheses Testing

The sample was tested by Kolmogorov-Smirnov technique and show up to be a non-normal population. Hence, non-parametric Spearman rho was used to obtain correlation coefficients between typologies of cultures and innovation. The findings show a correlation between clan culture dimension of culture and innovation capability of the SMEs with 0.656 or 65.6 percent hence reject the null hypothesis that clan culture dimension of culture does not have impact on innovation capability of the SMEs

In hypothesis 2, adhocracy culture dimension of culture has significant correlation of 0.645 or 64.5% to innovation capability of the SMEs; i.e. adhocracy culture dimension of culture has influences on innovation capability of the SMEs, hence reject null hypothesis.

Hypothesis 3 also show the level of correlation between market culture dimension of culture and innovation capability of the SMEs with 0.540 or 54% which prove that market culture dimension of culture affects innovation capability of the SMEs, which prompt the rejection of null hypothesis that market culture dimension of culture does not have affects on innovation capability of the SMEs

Also testing hypothesis 4, it was discovered that the level of correlation is 0.495 or 49.5%. That means there is significant level of correlation between hierarchy culture dimensions of culture and innovation capability of the SMEs. Reject the null hypothesis that hierarchy culture dimension of culture has no relationship with innovation capability of the SMEs.

These findings prove that there is a meaningful relationship between organizational culture and innovation capability of the SMEs, but the extent of these influences vary from the most effective (Clan culture) to the less effective (Hierarchy Culture).

Table 4: Correlations between Different Types of Cultures Dimensions and
Innovation Capability of the SMEs (Extract)

	Organizational Culture		**Innovation Capability**
Spearman's rho	**Clan**	Correlation Coefficient	.656**
		Sig. (2-tailed)	.000
	Adhocracy	Correlation Coefficient	.645**
		Sig. (2-tailed)	.000
	Market	Correlation Coefficient	.540**
		Sig. (2-tailed)	.000
	Hierarchy	Correlation Coefficient	.495**
		Sig. (2-tailed)	.000

DISCUSSION

This study focused on the relationship between organizational culture dimensions and innovation capability of the SMEs. The literature remarkably underlines the significance of organizational culture in any enterprises. This paper investigates the impact of organizational culture dimensions and innovation capability on SMEs' development. The findings provide empirical evidence for the hypothesis that suggest positive link between enterprises' culture dimensions and innovation capability on SMEs. This is in line with previous studies which had considered relationships between organizational culture and organization's performance indicators (Fey and Denison, 2003; Pirayeh et.al., 2011 and Lopez et.al, 2004). According to obtained results, clan and adhocracy cultures considerably innovation capability on SMEs.

However, the study upholds a cogent defense for our general view toward cultures' constructive flexibility which assumes relations between all dimensions of culture and innovation capability on SMEs. This outcome illustrates the multi-dimensional nature of culture, making smart managers aware of the reality that they should account all aspects of culture elegantly so as to encourage innovation capability in any enterprises.

Finally, the findings supply empirical support for the logic idea of highly significant relation between strategic emphases in culture of an organization and its innovation capability on SMEs. However this result is a results of research's routine hence it reasonably notifies innovation capability emphasize on the strategic objectives plays the paramount role. In summary, our research cleared the typological and dimensional correlation between organizational culture and innovation capability. Using Cameron and Quinn's CVF model, the results disclose different types of cultures have different weighs in relation to some organizational components, in this case implementation process, which backs previous studies (Naranjo-Valencia et.al, 2011; Sanz-Valle et.al, 2011; Lund, 2003).

However is pertinent to reveal some social effects implied by this research. Culture of society directly and indirectly affects the organizational culture, it then conclude that a strong societal culture influence organizational culture which consequently influence innovation process in any enterprises. Whenever the strategic objectives of the organization are achieved, it has symbolic outputs which reflect the effect of culture on organizational achievement. This research limits this study SMEs in certain locality (Alimosho and Ojo Local Government Area of Lagos State). It may be possible that some deviations observe when it comes to hold the same survey in a different organization with different amount of dependency to the culture. Anyway, we believe the results can be generalized because, as literature suggest, organizational culture is a key factor in any single organization.

CONCLUSIONS

Thinking about the implementation of innovation, companies generally focus on resources, processes and measurement of success, i.e. the easily measurable elements. Companies often devote much less attention to people-oriented determinants of the culture of innovation, which are more difficult to measure, such as values, behaviours and organizational climate. Although everything that refers to values and behaviours of people and climate in the workplace is more elusive and difficult to control, these "difficult, people-related issues " (as one of the presidents said) have the greatest power to shape the innovation-oriented culture and create sustainable competitive advantage.

Organizational culture may be an element favourable to the development of innovative activity. It is extremely important to appropriately shape the pro-innovation organizational culture from the point of view of competitiveness of each company because innovation is often the element that determines the competitive position in the market.

RECOMMENDATIONS

The findings will guide managers in regarding their organization's culture as a dimensional phenomenon which has a combined relationship to the innovation capability, simultaneously urge them to lead the organization through flexible cultures. For practitioners, it is suggested that they consider dimensions of organizational culture alongside the typologies to reach the best fulfilling results. Therefore it is recommended

❖ Large companies take the best care of appropriate equipment at the workstations, allow flexible employees' access to facilities and social benefits and reward for extra work and proposing/implementing improvements.

❖ Employees of these enterprises should support their employers to make the best use of their intellectual qualities. Access to social facilities and systems evaluating work should be recommended.

❖ A significant feature of innovation-oriented culture is change. Employees are willing to take risks that change entails, which may be related to, for example, changing jobs. There should be job guarantee and job security at all time. Adjustment processes also include employment, implying the need for its flexibility. At the same time it should be noted that in times of high unemployment, stabilization of employment (a secure work contract) may be a more important motivating factor to work. Each innovation may be a threat to employees because it violates the current state of balance, which can lead to employees' reluctance to implement innovation and even boycott and sabotage change.

LIMITATIONS OF THE STUDY

The outcome of this study is limited to the impact of organizational culture on innovation capability of SMES; case study of SMES in Alimosho and Ojo local government area of Lagos state, Nigeria. The findings were based on the data collected in selected local government area of Lagos state, Nigeria. Due to busy work schedules and high levels of secrecy in the SMEs, this study adopted quantitative method, involving a cross-sectional approach to data collection. A longitudinal approach to data collection and qualitative research method could be adopted by future researchers.

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