

Investigating Innovative Culture Level and its Influence on Labour Turnover in Organisations

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Abstract

Innovation is ingrained in the process of building dynamic and creative capabilities in an organization. However, if employees are not encouraged to develop capabilities and positive attitude at work, a strong innovation culture may be impossible to realize. Poor innovation culture could in turn affect labour turnover and productivity. The objective of the current paper to identify the innovation culture levels in organisations and its influence on employee retention or turnover. Pilot interviews with senior management and a main field questionnaire survey were used to collect data from conveniently sampled organisations including FCMG, service, manufacturing and construction organisations in the Gauteng province of South Africa. Empirical data were analysed using the Statistical Package for Social Sciences (SPSS) to output descriptive statistics. Findings showed that across all the industries, innovation was generally high, with employees being an important source of information and encouraged to ask questions when trying to perform certain tasks. The findings of this study could assist management in organizations, including the construction industry, to identify that could encourage innovation in their respective establishments and thus guard against labour turnover.

Keywords

Construction industry, innovation, labour turnover, employee retention, manufacturing industry, South Africa

1. Introduction

High labour turnover and job dissatisfaction pose a recurrent challenge to organisations globally and there is virtually no organisation that is immune to it, regardless of the size, technological advancement, market focus or economic sector (Hana, 2013; Akinyomi, 2016; Harden et al., 2016; Park et al., 2016). Organisations faced with unhappy employees and high labour turnover lose skilled and qualified employees, and run into many financial and non-financial problems including poor organisational performance, low employee morale, increased costs (for recruiting, training and development of new employees, cost of inefficiency of new employees), delays on tasks, poor quality of service and lower productivity (Thomas, 2013; Ayegba and Agbo, 2014). Five out of ten businesses do not survive past the first five years in operation, with the majority not even making it past the first year and this is partly as a result of high labour turnover, job, career and pay satisfaction, unionization and so on (Thomas, 2013). Many strategies have thus been espoused to address the problem of labour turnover and these include supervisor support, improving learning and working climate and conditions, employee rewards and incentives, as well as improved remuneration packages (Govaerts et al., 2010; Terera and Ngirande, 2014;

Akinyomi, 2016). However, few studies have focused on the role of innovative culture in the retention of employee in an organisation. Innovation in an organisation is a critical driver of competitive advantage, success and economic performance (Hana, 2013). An innovative culture in organisations contributes to increasing their potential, competitive advantage, a higher efficiency of processes and a higher profit.

Extant literature investigated the relationship between innovation and size and type of organisation or sector and innovation as well as the role of knowledge in innovative culture enhancement (Hana, 2013). Habib et al. (2014) explored the impact of organisational culture on job satisfaction, employee commitment and turnover intention, but did not really include innovativeness. Furthermore, the relationship amongst innovation, training and turnover was focused on in Kesen (2016) and between turnover intention and actual turnover in Sun and Wang (2016). In addition, Kundu and Gahlawat (2016) investigated the relationship between human resource (employee retention) practices on an organisation's performance. However, few studies have investigated the relationship between innovation and retention, especially in South Africa. The current study posits that an innovative culture leads to employee retention in an organisation. The objective of the current study is therefore to establish a relationship between an organisation's innovation culture and employee retention. Findings from the study will assist employers in developing strategies to manage and maintain a productive workforce.

2. Literature Review

2.1 Labour turnover

Turnover is generally defined as the movement of an employee out of an organisation (Sun and Wang, 2016). It is the rate at which an organisation loses its employees. It is the rate at which an organisation replaces its workforce (Akinyomi, 2016). It is necessary to note that an affliction such as high labour turnover does not go unnoticed in an organisation. A desirable degree of turnover is acceptable as it creates incentives and helps maintain creativity (Kesen, 2016). Nevertheless, excessive turnover is detrimental to organizational performance because it can disrupt service delivery and create additional costs for the organizations in replacing the leavers (Sun and Wang, 2016).

Labour turnover is influenced by human resource management related issues. The role of management in maintaining and managing human resources in an organisation contributes to labour turnover. These roles are associated with including compensation, job security, motivation, leadership, training and development as well as support and innovation culture (Irshaad, 2012; Sun and Wang, 2016). This suggests that one of the ways through which an organization can reduce turnover is through innovation. This suggests that organisations which tend to support creativity, as well as free and productive environments will have a lower percentage of employee turnover. In other words, an organisation's culture and strategic alignment to innovation has an impact on employee retention or turnover.

2.2 Organisation culture

Organisational culture is a set of different value systems, beliefs, attitude, behaviour, norms, rules and regulations that reveals how the organisation functions (Habib et al., 2014). Each organisation has a specific culture which can be determined by a number of factors. Culture can be defined as the underlying values, beliefs and codes of practice which define and make a community what it is (Dalkir, 2005). However, culture could either be innovative or destructive, depending on the way an organisation functions.

2.3 Innovative culture

Innovation was first conceptualised by Schumpeter in 1934, with theories centered around entrepreneurial innovations (Śledzik, 2013). However, his views have changed over time to include a wide range of spheres and approaches including social, organisational, institutional and political perspectives (Śledzik, 2013; Park et al., 2016). Innovation is basically the introduction or adding of new things or methods to existing ones

(Okpara, 2007). It is the ability to make or otherwise bring into existence something new (for instance, a solution, method, device, art or idea) or an implantation of creative inspiration (Okpara, 2007). It could be a launch of a new product or species of already known product, application of new methods of production or sales, opening of a new market, acquiring new supply sources and new industry structure such as creation or destruction of a monopoly position (Śledzik, 2013).

Innovation within an organisation is crucial. Organisations seeking profits must innovate in order to be competitive and dynamic (Śledzik, 2013). Most organisations cannot stay afloat without improving the ability to innovate in order to remain competitive, as was the case with Kodak, which were complacent in innovating new photographic and imaging products and could not keep up with the technological challenge of global competition (Forbes, 2012).

In order to successfully create an environment of innovativeness in an organisation, certain traits must be inherent or exhibited by the organisation, which in turn becomes a way of doing things in the long run, described as culture culture (Rao and Weintraub, 2013). These traits include the following:

- Values – These are in line with that of an innovative culture. Innovative organisations create an environment conducive to learning and creativity and are typically entrepreneurial organisations
- Behaviours - Certain behaviours are necessary for maintaining an innovative organisation. Management needs to inspire employees to carry out challenging tasks; employees need to be engaged regularly and provided with the necessary support and coaching to adapt to change where necessary.
- Climate - An innovative climate (or environment) cultivates engagement and enthusiasm. It also challenges employees to take risks within a safe environment, thus fostering learning and encouraging independent thinking.
- Resources - It is necessary to have the correct resources, such as human, finances and time, in order to innovate. Without sufficient resources, it becomes difficult to be innovative because tasks have to be carried out with less than the employees require.
- Processes - In order to function efficiently, the organisation must have adequate processes governing the entire system, from idea generation to execution. Even innovative organisations require processes to ensure that functions are carried out smoothly.
- Success - Unsuccessful organisations become stressful environments and it becomes difficult to encourage employees in these organisations. It is also necessary to assist employees to be more successful in their own tasks and departments. This might include having reward schemes and creating a sense of purpose in employees. When people feel like they are a part of something big, it motivates them to do their best.

A culture of innovation therefore means that an organisation holds internal assumptions, values, beliefs and management practices that foster developing new ideas into products, processes, objects and services (Aiman-Smith (2004).

3. Methods

A quantitative approach was used to conduct the study in order to achieve the objective, which was to establish the level of innovation culture in organisations and the relationship with employee retention. A field questionnaire survey was developed from a detailed literature review. The questionnaire contained questions regarding the characteristics of an organisation with innovativeness, employee satisfaction and retention, in three separate sections. With regard to innovation, a number of questions were asked to characterise innovativeness and focused on creativity at work, the freedom to make decisions and errors and the tendency of the organisation to develop new products. The questions on employee retention related to the extent to which employees would like to work at the company for a number of years (at least three

years) or how often they seek employment in other establishments. The questionnaires were distributed by hand and email. Different organisations were targeted in order to draw a comparison in the innovative nature and employee retention between the sectors. The organisations included FMCG, Manufacturing and Construction, and Services companies. Out of a total of 500 questionnaires distributed, only 87 responses from three sectors were received and subsequently analysed using the Statistical Package for Social Sciences (SPSS). Descriptive and inferential statistics were the outputs from the analysis.

4. Findings

4.1 Demographic characteristics

Out of a total of 87 respondents, 64.4% were male and 35.6% were female. 55.3% of the respondents had been with their relevant organisations for less than five years, and the remainder of the respondents had tenure of between five and forty years.

4.2 Findings on innovative culture

Respondents were asked to rate the extent to which these were evident insofar as how innovative the organization was. Table 1 presents the findings on how respondents rated their organisations in terms of being innovative. It was found that all the organisations exhibited characteristics of an innovative organisation. Results showed more positive responses to the sixteen questions in this section as 55.6% agreed or strongly agreed to most of the questions. 26% of the respondents answered 'Neutral'. Equally, the recorded response mode on most questions was determined to be 4. The standard deviation values were determined to be less than 1.0, indicating that the answers were mostly concentrated around the mean. Therefore, most respondents had similar views.

4.3 Findings on employee retention

Table 2 shows findings on employee retention. *I plan to remain in the organisation for at least three years* ranked highest with a mean score of 3.6. This value is between the neutral and the agree range, indicating that respondents were slightly unsure if they plan to stay in the enterprise for at least three years. With regard to the other four questions, respondents tended to disagree. The mean varied between 2.04 and 3.6, indicating that answers varied between Disagree, Neutral and Agree. The skewness was positive for most questions. Therefore, the distribution was skewed to the right, indicating that responses were mostly negative. The standard deviation was also determined to be small between 0.9 and 1.1, indicating a minimal variability. It can be deemed that the sampled employees are leaving the organisations.

Table 1: Findings on innovative culture

S/No	Element of innovative culture	Strongly Disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly Agree (%)	Mean Score	Mode	Std. Deviation
		1	2	3	4	5			
1	Employees in the organisation are an important source of information	0	2.3	4.6	40.2	52.9	4.44	5	.694
2	I am encouraged to ask questions when trying to perform a certain task	0	2.3	14.9	59.8	23	4.03	4	.690
3	I have control over my time management and how I carry out my functions at work	1.1	9.2	11.5	55.2	23	3.90	4	.903
4	The people in my department offer alternative solutions to problems/tasks	0	6.9	19.5	51.7	21.8	3.89	4	.827
5	I am allowed the opportunity to make decisions regarding specific tasks	4.6	11.5	10.3	59.8	13.8	3.67	4	1.008
6	I have an opportunity to be creative when solving problems in my current role	2.3	10.3	21.8	42.5	23	3.74	4	1.005
7	Management encourages me when I have problems carrying out certain tasks	4.6	6.9	19.5	63.2	5.7	3.59	4	.883
8	Innovative proposals are welcome in the organisation	2.3	12.6	26.4	47.1	11.5	3.53	4	.938
9	We continuously improve old products and raise the quality of new products	1.1	12.6	35.6	36.8	11.5	3.46	4	.907
10	Management and staff are tolerant to new ideas and differing views	1.1	14.9	31	48.3	4.6	3.40	4	.842
11	In comparison to competitors, our company has introduced more innovative products over the last five years	5.7	10.3	39.1	26.4	16.1	3.38	3	1.069

12	The organisation is a safe environment for ideas and employees are not penalised for new ideas that do not work	3.4	14.9	33.3	40.2	8	3.34	4	.950
13	Management actively seeks innovative ideas	5.7	16.1	37.9	31	9.2	3.22	3	1.016
14	We take delight in being spontaneous and are not afraid to laugh at our mistakes	5.7	20.7	31	34.5	8	3.18	4	1.040
15	I am rewarded when I am successful	5.7	19.5	39.1	27.6	8	3.13	3	1.009
16	Our company is often first to market with new products and services	9.2	17.2	40.2	19.5	13.8	3.11	3	1.135

Table 2: Findings on employee retention

		Strongly Disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly Agree (%)	Mean Score	Mode	Std. Deviation	Skewness
		1	2	3	4	5				
1	I plan to remain in the organisation for at least three years	8	6.9	26.4	32.2	25.3	3.60	4	1.181	-.673
2	More than half the employees have been with the organisation for more than 10 years	1.1	14.9	40.2	28.7	12.6	3.38	3	.938	.058
3	Workers tend to leave the organisation	5.7	31	32.2	23	6.9	2.94	3	1.033	.184

	n less often than expected									
4	As far as I know, my colleagues are not seeking employment elsewhere	11.5	32.2	18.4	29.9	5.7	2.86	2	1.156	.046
5	I rarely see new faces in the organisation	6.9	47.1	24.1	17.2	3.4	2.63	2	.971	.577

4.3 Relationship between innovative culture and employee retention

Given the level of innovativeness found in the organisations, it was expected that a considerable degree of employee retention will be visible. However, this was not the case. As can be seen from Table 2, it appears that many employees are leaving the organisations they work for.

Therefore, it can be deemed that innovativeness in an organization does not necessarily lead to expected level of employee retention. This result could mean that innovativeness in an organization does not influence the level of retention or turnover or they could be inversely related (Kesen, 2016). It could also mean that employees could leave a job because of factors besides the level of satisfaction from the job or work environment such as leadership style of overall culture (not necessarily innovative in nature) (Azanza et al., 2013).

5. Conclusion

The study sought to establish the level of innovativeness in different organisations including the construction industry as well as investigate the relationship between innovative culture of an organization and employee retention in the organisation. The study objective has been met. The outcome of the study however, did not reveal a relationship between innovative culture and employee retention. The sampled organisations had a high level of employee turnover, despite having high level of innovativeness. It was concluded then that there may be other factors contributing to employee turnover in the sampled companies. Further studies could therefore explore other factors in the sampled companies or related establishments.

The limitations of the study are worth mentioning. Firstly, the small sample size used may limit generalisation of the results. In addition, the generalisation of the findings may be limited since respondents were drawn from three industrial sectors in South Africa. Future studies could engage a larger sample to determine if a different result could be obtained. Furthermore, the study did not employ sophisticated statistical techniques to establish the relations. Further studies could use correlation and/or multiple regression analysis to determine the relationships among the factors considered.

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