Organizational Culture and Innovation in Selected Breweries in South-East Nigeria

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Abstract: The brewing industry in Nigeria appears characterised by a lot of rivalry in its struggle for dominance. In a bid to gain and retain their market share, the firms have adopted product innovation as a strategy. Unfortunately many of the new products seem not to survive long in the market. This study therefore, examined the relationship between organizational culture and innovation in selected breweries in South-East Nigeria. Specifically, it explored the nature of relationship between market culture and product innovation. Survey research design was adopted. Data were collected through questionnaire and hypothesis was tested using Pearson’s Product Moment Correlation Coefficient. The study revealed that there was a significant positive relationship between market culture and product innovation. Therefore, it is recommended that breweries in Southeast, Nigeria, should develop a market culture that focuses more on research and development so as to manufacture innovative products which will survive beyond the introductory stage, withstand competition and satisfy customers taste.

Keywords: Organizational culture, Innovation, Breweries, Nigeria.

INTRODUCTION

The business environment is believed to be turbulent and full of uncertainties. This is orchestrated by the globalisation of the world economy, which has brought about changes and restructuring of the world economy owing to advancement in technology. The dynamic nature of business environment, the ever changing consumer taste and preference, extensive competitive pressure and rapid technological changes probably forced proactive organizations to employ every possible strategy to remain competitive, relevant and to stay in business. Firms in the same industry are always in competition, for market share, industry leadership position and profit. In order to achieve these goals, organizations adopt different strategies and innovation appears most favoured and effective.

Innovation has played and continues to play an increasing crucial role in determining organizational success as a guiding performance and competitive advantage [1]. Kenny and Reedy [2] posited that innovation involves the adoption of new products and processes to increase competitiveness and overall profitability. It involves new ways of identifying the needs of new and existing clients. Innovation is the process of bringing the best ideas into reality which triggers a creative idea. Therefore, in this fast changing business world, innovation seems to be the mainstay of every organization.

However, studies have shown that innovation in organizations is affected by several factors both external and internal to the organization which includes: - technology, competitive environment, customer needs, basic organizational goals and organizational culture. Among these factors, organizational culture seems to be the most important factor that affects organizational innovation. West [3] opined that organizational culture is a crucial factor which significantly prevents or facilitates the implementation and maintenance of innovation in the organization. Maher [4] concurred that organizational culture is a major factor which affects speed and frequency of innovation. The major functions of organizational culture are to help in behavioural control of the organization’s employees, encouragement of internal organization’s stability and a source of an organization’s identity. Corporate organizations do have a culture and this culture powerfully impacts positively or negatively on the behaviour of management especially in their decisions and strategies [5]. Manjegowda [6] posited that organizational culture is capable of distinguishing one organization from others and could possibly aid in clarifying why different approaches are used in the management of one institution as distinct from the others. Culture can affect business outcomes negatively or positively, thereby shaping an organization in the innovative perspective. This is crucial because innovation is often the element that determines the competitive position of the firm in the market.
The Nigerian beverage market appears dominated by the brewery industry and carbonated soft drink with both controlling about 87% of beverage consumption. The Nigerian brewery industry is probably dominated by three global players, Heineken, Diageo, SABMiller through their subsidiaries Nigerian breweries PLC, Guinness Nigeria PLC and Inafact beverages, Onitsha. The brewery industry is an important sector to the Nigerian economy because of its contribution to the nation’s Gross Domestic Product (GDP) and employment generation across the nation. Their services have become a source of economic and social development. This is exemplified by sponsorship of programmes such as the Nigerian football league (NFL), the super eagles and other Nigerian premier league clubs, Gulerd ultimate search reality TV show, Star Quest, Maltina Dance All. They also organize concerts featuring top Nigerian artists and foreign ones. That notwithstanding, the brewery industry in Nigeria has been experiencing its own fair share of turbulence which may not relent any time soon. This is characterised by stiff competition which rapidly changing technology, shorter product lifecycles and a higher rate of new product development and frequent change in consumer tastes. Therefore, firms in this industry are struggling to adopt organizational cultures that are innovative and effective in the midst of these competitive strategies.

**Statement of the Problem**

The brewing industry in Nigeria is believed to be faced with a remarkable surge of competition in the struggle for dominance. There appears stiff rivalry among the existing players, encroachment of new competitors, threat of substitutes, and decline in the bargaining power of suppliers and buyers. To gain and maintain market share, the brewery firms are increasingly adopting product innovation in packaging and branding, pricing, differentiations, distribution models and channels, strategic global alliances, market segmentation, adverts and sponsorship in order to surmount competition and maintain market share. However, many of the new products seem to die at the introductory stage of their lifecycles.

Studies on organizational culture as a factor in institutionalizing innovation in organizations in Nigeria appears lacking in the brewing industry. Studies on organizational culture and innovation are few and most of them are limited to some specific geographical regions of the world and not even in the brewing industry. This has created a gap in the literature on the relationship between organizational culture and innovation, in the Nigerian context and specifically in the brewing industry, since organizational culture is seen as a factor that provides insights as to why organization differs in terms of output level and innovation. It is against this backdrop, that this study seeks to determine the relationship between organizational culture and innovation in selected Breweries in South-East Nigeria.

**Objective of the Study**

The broad objective of this study is to ascertain the relationship between Organizational Culture and Innovation in selected Breweries in South-East Nigeria. Specifically, it determined the nature of relationship between Market Culture and Product Innovation in selected Breweries in South-East Nigeria.

**Research Question**

- What is the nature of relationship between Market Culture and Product Innovation in selected Breweries in South-East Nigeria?

**Research Hypothesis**

\[ H_1 \] There is a significant relationship between Market Culture and Product Innovation in selected Breweries in South-East Nigeria.

**Review of Related Literature**

**Conceptual Review**

**Organizational Culture**

Organizational culture is the set of values, beliefs, behaviours, customs, and attitudes that help the members of the organization understand what it stands for, how it does things, and what it considers important [7]. The overall objective of organizational culture is to establish rules, values, beliefs and norms which will guide behaviours in the organization. Capeau- Sonea, Borza, Sonea, and Mitra [8] contended that organizational culture is composed by a more or less coherent or articulated of values, meanings, behaviours and organizational practices representing the main filter in interpreting the organizations reality. It also fulfills the function of behavior orientation in the company. Organizational culture is the pattern of values, norms, beliefs, attitudes and assumptions that may not have been articulated but shape the ways in which people behave and things get done [9]. Organizational culture has four functions: Gives members sense of identity, increases their commitment, reinforces organizational values and serves as a control mechanism for shaping behavior [10].

Scholars have reviewed organizational culture into different dimensions. And there is no single correct framework to measure organizational culture [11]. In the study of Wallach [12], three dimensions were captured as constituting the measures of organizational culture thus: Bureaucratic, innovative and supportive culture. Cameron and Quinn [11], identified that there are four dimensions of organizational culture. They identified the dimensions as Market culture, Adhocracy culture, Hierarchy culture and Clan culture. In the same vein, Delobbe, Haccoun and Vandenberghe [13] posited that there are four dimensions of organizational culture.
namely: people orientation, innovation, outcome orientation and bureaucratic orientation. However, Gershon, Stone, Bakken and Larson [14] researched the dimensions of organizational culture as constituting leadership characteristics, Group behaviours and relationship, communications and structural attributes of quality of work life. Van-Den-Berg and Wilderom [15], submitted that organizational culture has five dimensions which include Autonomy, External orientation, Interdepartmental coordination, Human resource orientation and improvement-orientation. But for the purpose of this study, Cameron and Quinn’s dimension of organizational culture will be adopted because their framework adapts to the study and provides a means for an organization to understand and analyze key aspects that generate strategies to change culture and improve performance.

**Market Culture**

Market culture is that type of culture that is characterised by emphasizing on the competitive advantage and market superiority where leaders drive the organization toward productivity, results and profit, an emphasis on winning holds the organization together, the prevailing concern is on competitive actions and achieving goals, targets and increasing its competitive position [16]. Market culture is a term used to describe the very important culture of a business relating to the attention it focuses on markets and customers. The skills used to create value for customers and the level of belief that the ultimate purpose of the business is to create superior customer value profitably. Market culture has an external focus in that it is more concerned about the competition that exists.

**Innovation**

Innovation is the process to develop and improve products, processes and markets, with the aim to aggregate value [17]. Also, organizational innovation is defined as the application of ideas that are new to the firm, whether the newness is embodied in products, processes and management or marketing systems [18]. It is instructive that innovation starts with generation of creative ideas and ends with the actual implementation of such creative ideas. Singh [19] opined that innovation is the use of new technical and administrative knowledge to offer a new product or service to customers. In the words of Schumpeter [20] innovation is described as “creative destruction” in that innovation is the use of an invention to create a new commercial product or service, and is the key force in creating new demand and new wealth.

Types of innovation abound and are classified according to the different approaches taken by the researchers but for the purpose of this study, innovation will be classified into two functional categories: product and administrative innovation [21]. Product innovation is focused on technological phase and invention which aims at renovation and improvement of products and processes, and methods adopted by the organization. It is the development and commercialization of new products to create value and meet the needs of the external user or the needs of the market [22]. Administrative innovation includes all administrative works and administrative processes and functions of an organization such as financial, marketing, and personnel. This equally involves processes that are concerned with organizational structures, goal or performance systems.

**Product Innovation**

It is instructive that the survival of a firm in the face of dynamic and competitive business environment is anchored on its ability to continuously develop new products to satisfy the changing tastes and preference of its customers. Product innovation is targeted at satisfying customer needs and to face competitive threat. Therefore, for a firm to compete effectively in the dynamic and competitive business environment and achieve set goals in terms of profitability, high sales volume, and increased market share, it must continuously innovate products and services that will satisfy the ever changing desires and needs of the customers [23]. Product innovation is the development and commercialization of new products to create value and meet the needs of the external user or the needs of the market [24].

**Organizational Culture and Innovation**

It is usually believed that culture has the potential to enhance innovation in the organization. The cultural dimensions have the capacity to enhance or stifle innovation in the organization. Possession of positive cultural characteristics provides the organization with the necessary ingredients to innovate [25]. Certain cultural dimensions like market culture enhances innovation, this is because a market culture is customer focused. Customer focused organizations tend to learn ways to understand and react to their customers and anticipate customer’s future needs [26]. A market culture is flexible and anticipates changes in customer taste and preference thus adapting innovation to assuage it. Martins and Tarblanche [27], posited that organizational culture appears to have an influence on the degree to which creativity and innovation are stimulated in the organization. A market culture supports innovation by promoting an organizational environment that is externally oriented and customer focused which then recognizes innovation as a sine qua non for attainment of competitiveness and organizational performance. Tushman and O’Reilley [28] opined that successful organizations have the capacity to absorb innovation into the organizational culture and management process and that organizational culture lies at the heart of organizational innovation.

**Theoretical Framework**

This study is anchored on Micheal Porter’s Market based view. This theory argues that industrial
factors and external market orientation are the primary determinants of firm’s performance. Therefore, a firm’s performance depends on the attractiveness of its industry and the firm’s relative positioning against competitors. Porter used frameworks to capture his ideas through the Five Forces of competitive position model. The model contends that a corporation is most concerned with the intensity of competition within its industry. Then, the level of this intensity is determined by basic competitive forces such as: threat of new entrants, threat of substitute products and services, rivalry among existing firms, the bargaining power of suppliers and the bargaining power of buyers.

Therefore, a market culture tends to adopt this model in shaping the culture of the organization. Hence, the relevance of this theory to the study is that a market culture is founded on the above theory. It makes the employees in the organization to be more concerned about the competition that exist and how to achieve competitive advantage and market superiority through product and service innovation.

**Empirical Review**

Prior studies on Organizational culture among scholars presented varied perspective and findings.

Bruno [29] researched on “The impact of organizational culture on innovation management” The study sought to investigate the impact of the Organizational Culture, personal value profile (micro-culture) of the involved executives and organizations’ culture (mezzo-culture) of the analyzed organizations, on the management of innovation. A sample of 400 executives of 48 organizations was selected, involving large and medium size ones of several segments having product and service development activities. The results have shown an imbalance on the personal value profile of the involved executives, showing a typical managers’ profile, rather than leaders’ one, as well as an inadequate average organization cultural index, both results are negative as far as innovation activities are concerned. On the other hand the study showed a moderate to high positive relation between personal values balance and the organization cultural adequacy index, being that these two variables positively related with the value innovation index of the involved organizations.

Mohammed and Bardai [30] researched on “The role of organizational culture on organizational innovation in higher education institutions- A study of Libyan public Universities” The paper investigated the relationship between organizational culture types and organizational innovation and in particular to identify the type of culture that has the greatest impact on organizational innovation in higher education institutions in Libya. Data were collected from 390 employees in higher education institutions in Libya while analysis was done using multiple linear regressions. Findings suggest that clan, adhocracy, market and hierarchy culture types were significant predictors of organizational innovation types and specifically market culture had the greatest impact on innovation.

Seen, Singh and Jayasingam [31] studied organizational culture and innovation among Malaysian employees. The study sought to examine the effect of cultural traits of empowerment, team orientation, and capability development, creating change, customer focus and organizational learning on innovation. The respondents were 249 Malaysian employees in both the private and public sectors. Findings reveal that among all the cultural traits analyzed; only creating change and organizational learning were found to be significant contributors to innovation.

Denison [32] used data from 34 companies of America in a period of 5 years. He examined characteristics of organizational culture in these firms and tracked their performance over time. To measure performance, the author used data on return on investment and sales. For organizational performance responses on a one time survey regarding the perceptions of work organization and participation in decision making were gathered. The author found that organizational culture is correlated with financial performance, though; some of his measurement indicators differ in the strength of the relationship between culture and performance.

Olori and Mark [33] looked at “organizational culture and corporate innovation” the study examined corporate innovation with a view to determining its relationship with organizational culture. The findings show although there are many dimensions that influence corporate innovation like national systems, knowledge flows, and labour market but organizational culture has higher propensity of influencing an organization to be innovative.

Yesil and Kaya [34] studied “The role of organizational culture on innovation capability: An empirical study”. The study investigated organizational culture and explores its effect on innovation capability. The population of the study was 300 firms located in Gaziantep city of Turkey. Data was collected through questionnaire and interview while data analysis was done using a partial least square graph. The results reveal that out of the four organizational culture dimensions tested, only adhocracy culture positively affects innovative capability of the firms while clan, hierarchy and market culture were not related to innovation capability of the firms.

Okibo and Shikanda [35] carried out a study on “The effects of organizational culture on innovation
in services industry: A case study of postal corporation of Kenya”. The aim of the study was to investigate the effects of organizational culture on innovation in services industry. The hypothesis was that innovation in some industry is affected by factors as culture, leadership, skills, reward and recognition. Primary data were collected with the aid of a questionnaire and interview while analysis was done using both quantitative and qualitative approaches. Findings show that organizational culture, leadership, skills, rewards and recognition affect innovation.

Kotter and Heskett [36], gathered data from 207 firms over a five year period. In this study they used various measures of culture and long term economic performance data. Their initial objective was to examine the relationship between strong culture and long term performance. They found out only a minor correlation between strong culture and long term performance.

Marcoulides and Heck [37] analyzed the seeming relationship between organizational culture and performance using data collected form 26 organizations. The authors proposed a model in which organizational culture was measured using several latent variables (organizational structure, organizational values, task organization, climate and individual values and beliefs) and organizational performance was measured using capital, market and financial indicators. The result of this study showed that all of the latent variables used to measure organizational culture and some effect on performance with workers attitudes and task organizations activities being the most significant variables.

Ogbonna and Harris [38] researched on the relationship between organizational culture and performance by including the leadership style as a third variable in the model. They used a sample of 1000 units from the financial analysis made easy database of registered British companies. To measure performance, they used variables such as: customer satisfaction, sales growth, market share, competitive advantage and sales volume. For organizational culture they used measures such as competitive culture, innovative culture, bureaucratic culture and community culture. The results showed that all four measures of organizational culture were associated in some way with corporate performance more specifically, innovative and competitive culture and a direct effect on performance and accounted for approximately 25 percent of the variance in organizational performance.

METHODS
Research Design
This study adopted survey research design so as to collection data from respondents.

Population of the Study
The target population of this research consists of all employees of Consolidated Breweries Awomamma Imo state, Nigerian breweries Ama Enugu state and Intafact beverages Onitsha. The population of this study is Two thousand three hundred and sixty six (2366) employees of the organizations.

Sample Size and Sampling Technique
The sample size was obtained from the population unit (2366) using Taro Yamane’s statistical formula.

\[ n = \frac{N}{1+N(e)^2} \]

Where,

- \( n \) = Sample size
- \( N \) = Population size
- \( e \) = Error of tolerance 0.05(5%)
- \( I \) = Statistical constant value
- \( N \) = 2366
- \( e \) = 5% or 0.05

Substituted as:

\[ \frac{2366}{1 + 2366 (0.05)^2} = 292 \]

Thus the sample size consists consisted of 292 employees of the organizations. However the proportion of the questionnaire administered to each organization was determined using the Bowley’s proportional allocation formula:

\[ nh = \frac{n x Nh}{N} \]

Where

- \( nh \) = number of questionnaire allocated to each organization.
- \( n \) = total sample size
- \( Nh \) = number of employees in each organization.
- \( N \) = Population size
### Validity of the Instrument

Face and content validity was used to authenticate the questionnaire items. A proper structuring of the questionnaire was carried out to ensure that it was valid. The questionnaire was equally given to experts to validate.

### Reliability of the Instrument

To ensure reliability of the research instrument, Cronbach Alpha was used to analyze the two sets of scores generated. This yielded a reliability Alpha of 0.966 for Organizational Culture and 0.930 for Product Innovation. These are within the acceptable range of reliability index. Therefore, the questionnaire was adjudged to be reliable for data collection in line with George and Mallery [39] which gave a measure for calculating Cronbach Alpha thus:

\[
\text{Cronbach's alpha} = \alpha \geq 0.9 \quad \text{Excellent} \\
0.9 > \alpha \geq 0.8 \quad \text{Good} \\
0.8 > \alpha \geq 0.7 \quad \text{Acceptable} \\
0.7 > \alpha \geq 0.6 \quad \text{Questionable} \\
0.6 > \alpha \geq 0.5 \quad \text{Poor} \\
0.5 < \alpha \quad \text{Unacceptable}
\]

### Discussion of Findings

The analysis of the result obtained above, is attached as Appendix 3.

### Method of Data Analysis

The data generated were retrieved, analyzed and the hypothesis tested using Pearson Product Moment Correlation Technique on statistical package for social science (SPSS) version 21. Descriptive statistics such as mean and standard deviation were used to analyze individual items on the questionnaire.

### Data Presentation and Analysis

#### Test of Hypothesis

**There is a significant positive relationship between market culture and product innovation in selected breweries in South East Nigeria.**

**Decision rule**

Correlation analysis reports the interdependence of the study variables. Statistical correlation is significant if coefficient is more than 0.5. Moreover, if p-value is low under 0.01, it means that correlation actually exists. In case p-value is high, it cannot be determined that the correlation actually exist.

Data analysis in table above shows that there is a significant positive relationship between market culture and product innovation, \( r \) (285) = .970, \( P \)-value <0

#### Table-1: Test of Significance of Pearson's Correlation between market culture and product innovation

<table>
<thead>
<tr>
<th>N</th>
<th>Market Culture</th>
<th>Product Innovation</th>
<th>p-value</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Culture</td>
<td>285</td>
<td>1</td>
<td>.970**</td>
<td>.000</td>
</tr>
<tr>
<td>Product Innovation</td>
<td>285</td>
<td>.970**</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

### Discussion of Findings

The study reveals that there is a significant relationship between market culture and product innovation in brewery industry. The result indicated that there is a positive relationship between market culture and product innovation with a Correlation Coefficient of \( r \) (285) = .970. The implication of this finding is that an increase in market culture variables will increase product innovation. This finding is in agreement with Mohammed and Bardai [30] who found out that clan, adhocracy, market and hierarchy culture types were significant predictors of organizational innovation types and specifically market culture had the greatest impact on innovation. However, this study is at variance with Yesil and Kaya [34] who found out that out of the four organizational culture dimensions tested, only adhocracy culture positively affects innovative capability of the firms while clan, hierarchy and market culture were not related to innovation capability of the firms.

### CONCLUSION

This study having examined the relationship between Organizational Culture and Innovation of selected breweries in South-East Nigeria concludes that there is a strong positive relationship between Organizational culture (Market culture) and Innovation (Product innovation). This goes to show that, market
culture as it relates to proper analysis of the external environment with an eye on competitive advantage bears on the type of new product that will excel in the market place. Therefore, to reduce the risk of having products that will not last in the market requires the adoption of strong market culture by brewing firms.

**Recommendations**

Based on the findings and conclusion drawn from this study, the following recommendations are made:

- Breweries should promote a market culture in the organization by focusing on the external environment and the competitive rivalry therein, rather than enhancing the internal environment.
- Breweries should be customer focused and have customer insight. This involves developing such a thorough understanding of the firm’s target customers that the firm knows the customers’ needs better than the customers do themselves.
- Breweries should develop a market culture that focuses more on research and development so as to manufacture innovative products which will survive beyond the introductory stage, withstand competition and satisfy customers' taste.

**REFERENCES**