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Does Innovation Contribute To Employee Performance?

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Abstract

This study investigated the relationship between innovation and employee performance at Tenaga Nasional Berhad (TNB), a utility company in Malaysia since TNB is unsure to place innovation as a 'nice to have' or 'must have' in their company. Responses from staff through a survey from selected management team were gathered. Two hundred and ninety-four respondents' feedback was used to analyze the impact of four types of innovation (product, process, technological and organizational) on employee performance. Through Factor Analysis the four types of innovation was reduced to three while another factor named attitude emerged. The three types of innovations (product, process, and technological and organizational) were found to influence employee performance with the exception of attitude.

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1. Introduction

Employee performance is vital to any organization as it is a form of measurement of a company's success (Sadikoglu & Zehir, 2010). It measures the non-financial indicators of a company such as teamwork, motivation, productivity index, service quality and competency (Manzoor, Ullah, Hussain, & Ahmad, 2011). There are various methods or approaches to enhance employee performance and one of them is through innovation. It was found that employee performance improves firm performance indirectly through innovation as employee generates ideas for new products or services to improve competitiveness of the firm (Sadikoglu & Zehir, 2010). Innovation activities according to Walker, Damanpour, & Devece, (2010) improve administrative process, increase efficiencies and make work management more effective. Researchers have identified process, product (Gunday, Ulusoy, Kilic, & Alpkan, 2011) technological and organizational innovations (Camisón & Villar-López, 2014) as having impact on employee performance. In fact innovation is listed as one of the 10 Big Ideas in Malaysian 10th Malaysia Plan (2011-2015) towards Malaysia as a high income and developed nation by 2020.

Tenaga Nasional Berhad (TNB), the main power utility company in Malaysia, has been involved in innovation for many years. One of the innovation platforms is through its Work Improvement Team-Innovation Creative Circle (WIT-ICC). WIT-ICC focused on resolving problems as well as improving the current working environment. However, in recent years, innovation initiatives through ICC platform at TNB have been seen not giving any impact to the company. Some ICC teams felt that ICC has become an extra task and to some extent a burden to them. Management is unsure whether this innovation activity is a 'Nice to Have' or a 'Must Have'. Thus this study is to investigate whether innovation from the perspective of TNB employees has any impact on their performance.

2. Literature Review

2.1 Employee Performance and Innovation

Traditionally, performance in organization has been measured by using financial indicators such as profit, market share, earnings and growth rate (Demirbag, Tatoglu, Tekinkus, & Zaim, 2006). However, non-financial indicators also must be considered in accessing performance which usually developed in line with human resource outcomes such as turnover, absenteeism, job satisfaction, productivities and quality (Abdalkrim, 2013). In order to gain competitive edge and achieve success, organization must give top priority to employee performance (Imran, Fatima, Zaheer, Yousaf, & Batool, 2012). Employee performance is about the way in which employees accomplish organizational set goals and relates their interpersonal behaviours to the organizational norms (Imran et al., 2012), and timely, effective and efficient completion of mutual agreed task by the employee, as set out by the employer (Tinofirei, 2011). For this study employee performance was measured from the non-financial aspect that includes competency, motivation, self-discipline and teamwork.

It was found that employees performance are influenced by innovation (Sadikoglu & Zehir, 2010). Innovation through employees' generation ideas for new products and services would eventually improve competitiveness (Sadikoglu & Zehir, 2010), improve administrative process, increase efficiencies and effective work management (Walker et al., 2010), increase organizational fitness (Choi, Jang, & Hyun, 2009), improve quality performance (Sadikoglu & Zehir, 2010) and lead to productivity enhancement (Rostami & Branch, 2011). Additionally, innovation will increase the quantity, quality and timeliness of output, attendance on the job, efficiency and effectiveness of work completed (Tinofirei, 2011).

2.2 Process Innovation

Most of the innovation researchers found process and product innovations has significant impact towards employee performance (Neely, 1998; Choi et al., 2009; Dasgupta & Gupta, 2009; Gunday, Ulusoy, Kilic, & Alpkan, 2011). Process Innovation can be defined as the implementation of new or significantly improved production or delivery method (OECD Oslo Manual, 2005). Most researchers found that there is positive relationship between process innovation and employee performance. Umashankar, Srinivasan, & Hindman, (2011) in their observation on the customer service agent, found that changes on the existing process will eventually help employee in their job and

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