Interrelations between Organizational Culture, Innovation and Employee Performance: Evidence from Banking Sector of Pakistan

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Abstract

The core purpose of this research study is to reveal the effects of organizational culture on the employee performance via organizational innovation in banks operating in Pakistan. A quantitative survey technique was adopted to serve the purpose. Data of 167 respondents including mostly managers, sales officers and front desk employees were collected through an adapted survey questionnaire. The results expressed that components of organizational culture i.e. organization mission and concern for employees & trust have direct and strong influence on productivity at work while core values and organizational learning & empowerment influence productivity at work indirectly via organizational innovation. Hence, the results have affirmed most of hypotheses presumed in the study that culture has an impact on productivity at work whether directly or through organizational innovation. Managerial implications along with limitations and future research directions have also been discussed.

Keywords: Banking; Employment; Organizational Culture; Pakistan; Productivity

I. Introduction

Banking sector of Pakistan is playing a key role in the growth of Pakistani economy. As on 31st December 2010, number of branch network of 44 public sector commercial, specialized, domestic private, and Islamic Pakistani and foreign banks has also been increased to 9,772 branches all over the Pakistan (http://www.sbp.org.pk). This high number of branch network of bank branches shows high competition among Pakistani and Foreign Banks. To remain in this competition, banks have to show high organizational performance which is unimaginable to attain without enhanced employee
To attain high organizational performance through improved employee performance, innovation plays a cardinal role (Cooper & Kleinschmidt, 1987; Damanpour & Evan, 1984; Damanpour & Gopalkrishnan, 2001). Likewise, modern organizations are knowledge based confronting scarce resources, dynamic business environment, intense competition and changing customer demands for better quality; hence, their success depends upon creativity, innovation and discovery (Jansen, Van Den Bosch, & Volberda, 2006; Roberts & Amit, 2003). These demands can be met not only by responding the changes but also by bringing innovative changes in organizations (Read, 1996). This is because innovative firms are more flexible in terms of adopting changes, creating new opportunities and responding faster to changes (Drucker, 1985; Miles & Snow, 1978). The core of the innovation is newness of an idea that in turn improves organizational performance (Camisón-Zornoza, Lapiedra-Alcami, Segarra-Ciprés, & Boronat-Navarro, 2004). It can help to generate such kind of rare, inimitable and valuable resources that are costly to copy (Barney, 1991; Wernerfelt, 1984). This scenario of significance of innovation in today’s changing environment has led to increased interest among researchers to gain a better understanding of how to improve the capacity to innovate (Damanpour, 1987, 1996; Koc & Ceylan, 2007; Mayondo and Farrell, 2003). Many determinants of innovation have been identified by number of studies. Among these many determinants of innovation, the role of information technology, firm strategy, organizational design, organizational learning, organizational knowledge and organizational culture are leading ones (Baker and Sinkula, 1999; Cohen and Levintal, 1990; Coombs and Hull, 1998; Darroch and McNaughton, 2002; Hage, 1999; Kogut and Zander, 1992; Leonard-Barton, 1999; Nonaka and Takeuchi, 1995; Nooteboom, 1999; Sørensen and Stuart, 2000; Stata, 1989). In this study, organizational culture is considered to be the most important determinant of innovation. Lundy & Cowling (1996)’s definition of organizational culture “the way we do things around here” provides basis for this research as actions of individuals in organization are run by the organizational culture. When creativity and innovation play role in the change process for survival, leaders try to create institutional framework in which creativity will be accepted as basic norms and beliefs when surrounded by technological and other changes (Martins and Terblanche, 2003). Many authors like Ahmed (1998), Martell (1989), Pheysey (1993), Robbins (1996) and Schuster (1986) have emphasized the importance of organizational culture in this context. The main constructs of organizational culture used in this study includes organizational mission, core values, organizational learning and empowerment, concern for employees and trust. Various researchers have concluded that culture plays a key role in innovation (Ahmed, 1998; Dobni, 2008; Higgins and Mcallaster, 2002; Mumford, 2000; Lan and Ngo, 2004). Despite that culture is considered as important stimulant for innovation, however, empirical research remains somewhat limited. Besides, many studies on the relationship between culture and innovation focus only on some elements of culture (Cabello-Medina et al., 2005; Hage and Dewar, 1973; Laursen, 2002; Laursen and Foss, 2003) and same cultural typology is not used by them generally (Chang and Lee, 2007; Lau and Ngo, 2004; Obenchain and Johnson, 2004; Obenchain, 2002). To fill this gap this study aims.

i. To analyze the influence of organizational culture on employee performance,

ii. To investigate the effect of innovation on employee performance and finally

iii. To explore the mediating effect of innovation between organizational culture and employee performance.
II. Theory and Hypotheses

Organizational Culture and Innovation

Organizational culture is the set of values, symbols and rituals which are shared by the members of the organization in order to describe the how things should be done and how internal and external problems should be solved. It runs the actions of the individuals in the organization (Llopis-Taverner, 1992). Martin and Terblanche, (2003) explained the culture of organization as ways in which things are to be done and problems should be solved. Organizational culture plays an important role in the organization. In strong culture, the values and beliefs are shared by the members of the organizations in the sense that everyone is on the same track in the organization (Robbins, 1996).

Mission statement is the one of the determinants of organizational culture that provides direction to the organization. The innovative mission statement leads towards innovation (Lemon & Sahota, 2004). McDonald (2007) indicated that mission statement of an organization may facilitate innovation. A motivational and clear mission statement helps an organization to focus its attention on innovation. Bart (1998) stated that the mission statement determines the innovation in the organization. Moreover, the strategies are driven by mission statement of the organization. A mission statement having component of new product development or continuous improvement creates environment of innovation.

Another element of culture is core values, which are deeply ingrained principles for guiding all the organizational actions. Organizational values are foundational building blocks of the culture and have an impact on the process of innovation. The innovation is derived from core actions of the organization (Lencioni, 2002). The new product development or process development capabilities are deeply rooted in the core values of the organization (Leonard-Barton, 2007). Wiener (1988) stated that these are values of the organization which permits the contingency approach for analysis of changing environment and bringing changes according to that in the organization. Studies also suggest that innovation supportive culture is reflected by organizational structure and daily practices of the organization and comes from core values of the organization. The values are backbone of the culture and foster the innovation process (Leonard-Barton, 2007). Furthermore, The higher level of innovation is related to organizational culture which emphasizes on learning, development and participative decision making (Hurley & Hult, 1998). Similarly, the ability of a firm to recognize the value of new idea or information and implement it commercially depends on organizational learning capability. Outside sources of knowledge are often critical sources of information for innovation and organizational learning. And this is the culture that influences the absorptive capacity of organization (Cohen & Levinthal, 1990). Furthermore, the organizational learning process is critical to creativity in the organization as learning capability is directly related with utilization of new ideas and information (Dodgson, 1993).

The market focused learning plays vital roles in the creativity and value addition (Weerawardena, O'Cass, & Julian, 2006). Also, the organizational learning culture has a strong positive relationship with innovative culture and innovation (Škerlavaj, Song, & Lee, 2010). Alegre & Chiva, (2008) empirically found the relationship between
organizational learning capability and product innovation performance. The organizational learning capability indicated by experimentation, risk taking, interaction with external environment, participative decision making and dialogues have an impact on innovative performance. Entrepreneurship and innovation are highly influenced by organizational learning capability. Organizations with high learning capability are more innovative than others (Tohidi & Jabbari, 2012).

If the employees are provided opportunities for autonomy, choice, responsibility and participation in decision making, they are said to be empowered and contribute towards positive organizational outcomes (Marks, Findlay, Hine, Thompson, & McKinlay, 1998). The values of organization based on mutual trust increase the level of knowledge sharing and decision made with consensus leads towards innovation and creativity (Erez, 1992). In order to bring innovation and to improve the productivity, firms focus on their employees by providing training, empowerment and better working conditions (Chang, Gong, & Shum, 2011). In an empirical study of 50 work-based teams (Erdem & Zen, 2003), findings show that teams with high level of trust perform better and recommend that trust should be a primary value of the organizational culture. Finally, trust is critical for successful operation of innovation (Skardon, 2011). From the above literature review, this study is going to propose following hypotheses:

H1a: Organization mission is positively associated to innovation.
H1b: Core values are positively correlated to innovation.
H1c: Concern for employees and trust is positively associated with innovation.
H1d: Organizational learning is positively associated with innovation.
H1e: Employees empowerment is positively associated with innovation.

Organizational Culture and Productivity

Organizational culture has main role in the organizational excellence by increasing the productivity of employees (Akin & Hopelain, 1987). Organizational culture based on the TQM practices is implemented increasingly. It has been resulted in improved organizational performance by empowering and providing sense of meaningful in one’s work. Škerlavaj, Štemberger, Škrinjar, & Dimovski, (2007) empirically found the relationship between organizational learning culture and non financial performance. Further their study found that organizational learning culture is positively associated with productivity of employees.

The empirical study of Mathew’s (2007) study on software organizations showed that organizational culture is positively associated with quality and productivity of software organizations.

Additionally, various dimensions of organizational culture such as: organizational structure, mission statement, values, task structure and climate for empowerment are found to have strong positive relationship with performance of employees (Marcoulides & Heck, 1993). The consideration of employees in decision making authority results in increased performance of employees at workplace (Erez, 1992). Moreover, employees are given training, empowerment and better working conditions which results in productivity and creativity of employees (Chang, Gong, & Shum, 2011).
The employees focused mission statement results in motivation and ultimately performance of the employees (Germain & Cooper, 1990). The inclusion of fundamental rules of business, such as “concerned with your employees” and “responsible with the society in which you are operating” have positive relationship with the performance (Bartkus, Glassman, & McAfee, 2006). The mission statement reduces the uncertainties among employees and motivate to achieve common organizational goals (Forehand, 2000; Klemm, Sanderson, & Luffman, 1991). Similarly the trust among top management and employees reduces the intention of turnover among employees and also increase the employee performance (Konovsky & Cropanzano, 1991).

Meglino, Ravlin, & Adkins, (1989) stated that people’s values, congruent with those of others, results in the positive outcomes such as organizational commitment, job satisfaction and work values. The shared values guide the behaviors and action of the employees to act in a particular way to improve the performance of the organization (Maxham III & Netemeyer, 2003). Hence, further hypotheses are proposed:

H2a: Organization mission is positively associated to productivity at work place.
H2b: Core values are positively correlated to productivity at work place.
H2c: Concern for employee and trust is positively associated with productivity at work place.
H2d: Organizational learning is positively associated with productivity at work place.
H2e: Employees empowerment is positively associated with productivity at work place.

**Innovation and Productivity**

Papa (1990) has been found positive relationship between new process innovation and employee productivity. Fey & Benison, (2003) identified some dimensions and measurement scales to measure productivity at work which has been adapted to be used in this study too. The innovation and first entry has strong positive relationship with the improved productivity (Geroski, 1989).

Griffith, Huergo, Mairesse, & Peters, (2006) studied the role of innovation in the European Countries and the economic results showed that innovation has significant positive impact on productivity in these countries. Huergo & Jaumandreu, (2004) found that process innovation results in the improved productivity and better organizational performance. Moreover, Hall, Lotti, & Mairesse, (2008) found that although product and process innovation has positive impact on the productivity but process innovation has greater impact on productivity. Hence, this study further proposed:

H3: Innovation is positively associated with employee productivity.
H4: Innovation mediates the relationship between organizational culture dimensions and employee productivity.
III. Research Framework
Keeping in view the hypotheses, this study has formulated the research framework as shown in figure 1.

![Research Framework Diagram]

Figure 1: Research Framework

IV. Data Collection, Measurement Scales & Sample
Survey instrument was administered employing a questionnaire based on a 5-point Likert scale during the month of June 2012 to be responded by bank employees in different cities of southern Punjab of Pakistan (i.e. Multan, Muzaffar Garh, Mailsi, Khanewal and Jahaniaan). For the formulation of survey instrument, questions relating to dimensions of organizational culture (mission-7 items, core values-3 items, concern for employees & trust-4 items, organizational learning-3 items and empowerment-3 items) and employee productivity (3 items) were adapted from the study Fey & Denison (2003). Furthermore, organizational innovation was measured using six-item scale which was adopted from Calantone et al. (2002). More than 250 questionnaires were distributed among the employees of different banks out of which 167 complete responses were collected to be included in the final analysis. Response rate was calculated to be approximately 66.8%. The sample included managers, sales officers and front desk employees of banks in Pakistan. 85% of the respondents were male with educational qualifications of Post-Graduation or above. More than 60% of the respondents were fresh having no more than 5 years of experience and approximately 65% of them were young i.e. between 20 and 30 years of age.

V. Results
Validity and Reliability Analysis
To assess the validity of survey questionnaire, with the help of SPSS, principal component factor analysis with varimax rotation was performed. Factor analysis results of dimensions of organizational culture demonstrate that all items used to measure organizational learning, and empowerment loaded on one factor, hence, this study has named this factor as Organizational learning & empowerment. On the other hand, due to low loading after removing item-6&7 from mission and item-20 from core value, all other 11 remaining items used to measure organization mission, core values, and concern
for employee & trust each loaded on their respective factor. Organizational innovation and Employees productivity at work each was extracted on one factor solution respectively. Moreover, factor loadings of most of the items of these scales loaded significantly on the extracted factor with more than one Eigen values and 50% cumulative variance explained. It proves that most of the items are above the minimum acceptable level of factor loading of 0.40 (Lundy and cowling, 1996), thus validity of the initial scales were ascertained (see Table 1, 2, & 3). After performing factor analysis, reliability test was also performed using Cronbach’s alpha coefficient and Table 4 shows the acceptable reliability statistics (i.e. > 0.70) of all the variables (Hair et al., 1992).

Table 1: Factor Analysis-Dimensions of Organizational Culture

<table>
<thead>
<tr>
<th>Rotated Component Matrix</th>
<th>Factor and Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Items</td>
<td>1</td>
</tr>
<tr>
<td>Concern for Employees and Trust</td>
<td></td>
</tr>
<tr>
<td>CT9-</td>
<td>.827</td>
</tr>
<tr>
<td>CT11-</td>
<td>.728</td>
</tr>
<tr>
<td>CT8-</td>
<td>.718</td>
</tr>
<tr>
<td>CT10-</td>
<td>.677</td>
</tr>
<tr>
<td>Organization Mission</td>
<td></td>
</tr>
<tr>
<td>OM1-</td>
<td>.782</td>
</tr>
<tr>
<td>OM3-</td>
<td>.657</td>
</tr>
<tr>
<td>OM4-</td>
<td>.545</td>
</tr>
<tr>
<td>OM-2</td>
<td>.437</td>
</tr>
<tr>
<td>OM5-</td>
<td>.436</td>
</tr>
<tr>
<td>Core Values</td>
<td></td>
</tr>
<tr>
<td>CV18-</td>
<td>.849</td>
</tr>
<tr>
<td>CV19-</td>
<td>.772</td>
</tr>
<tr>
<td>Organization Learning and Employees</td>
<td></td>
</tr>
<tr>
<td>Empowerment</td>
<td></td>
</tr>
<tr>
<td>OL14-</td>
<td>.778</td>
</tr>
<tr>
<td>EE15-</td>
<td>.644</td>
</tr>
<tr>
<td>EE16-</td>
<td>.610</td>
</tr>
<tr>
<td>OL12-</td>
<td>.419</td>
</tr>
<tr>
<td>EE17-</td>
<td>.356</td>
</tr>
<tr>
<td>OL13-</td>
<td>.341</td>
</tr>
<tr>
<td>Eigenvalues</td>
<td>5.950</td>
</tr>
<tr>
<td>Cumulative variance explained %</td>
<td>19.480</td>
</tr>
</tbody>
</table>

Table 2: Factor Analysis-Organizational Innovation

<table>
<thead>
<tr>
<th>Rotated Component Matrix</th>
<th>Factor Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Items</td>
<td></td>
</tr>
<tr>
<td>Organizational Innovation</td>
<td></td>
</tr>
<tr>
<td>Org Inv-1</td>
<td>.828</td>
</tr>
<tr>
<td>Org Inv-2</td>
<td>.812</td>
</tr>
<tr>
<td>Org Inv-3</td>
<td>.800</td>
</tr>
<tr>
<td>Org Inv-4</td>
<td>.770</td>
</tr>
<tr>
<td>Org Inv-5</td>
<td>.719</td>
</tr>
<tr>
<td>Org Inv-6</td>
<td>.437</td>
</tr>
<tr>
<td>Eigenvalue</td>
<td>3.284</td>
</tr>
<tr>
<td>Cumulative % of variance</td>
<td>54.727</td>
</tr>
</tbody>
</table>
Table 3: Factor Analysis-Employees Productivity at Work

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPW-1</td>
<td>.862</td>
</tr>
<tr>
<td>EPW-2</td>
<td>.859</td>
</tr>
<tr>
<td>EPW-3</td>
<td>.855</td>
</tr>
<tr>
<td>Eigenvalue</td>
<td>2.213</td>
</tr>
<tr>
<td>Cumulative % of variance</td>
<td>73.756</td>
</tr>
</tbody>
</table>

Table 4: Reliability Analysis

<table>
<thead>
<tr>
<th>Items</th>
<th>Numbers of items</th>
<th>Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>All independent variable</td>
<td>17</td>
<td>.88</td>
</tr>
<tr>
<td>Organization mission</td>
<td>5</td>
<td>.711</td>
</tr>
<tr>
<td>concern for employee and trust</td>
<td>4</td>
<td>.82</td>
</tr>
<tr>
<td>Org learning &amp; empowerment</td>
<td>6</td>
<td>.737</td>
</tr>
<tr>
<td>Core values</td>
<td>2</td>
<td>.713</td>
</tr>
<tr>
<td>Organizational innovation</td>
<td>6</td>
<td>.824</td>
</tr>
<tr>
<td>Productivity at work</td>
<td>3</td>
<td>.821</td>
</tr>
</tbody>
</table>

Correlation Analysis
Table 3 shows that all the study variables are significantly correlated to each other. The results prove all the proposed hypotheses i.e. a significant relationship exists among the study variables. Values of Pearson’s correlation coefficients (r) are significant at p < .001.

Table 3: Correlation

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>SD</th>
<th>Concern for empl. and trust</th>
<th>Org. mission</th>
<th>core value</th>
<th>Org. learning&amp; empowerment</th>
<th>Org. Innovation</th>
<th>Prod. at. Work</th>
</tr>
</thead>
<tbody>
<tr>
<td>concern for employee and trust</td>
<td>3.8308</td>
<td>.82973</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organization mission</td>
<td>3.9677</td>
<td>.61441</td>
<td>.598</td>
<td>.579</td>
<td>.557</td>
<td>.430</td>
<td>.537</td>
<td></td>
</tr>
<tr>
<td>core value</td>
<td>3.7725</td>
<td>.79854</td>
<td>.401</td>
<td>.374*</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Org learning &amp; Empowerment</td>
<td>3.9222</td>
<td>.58877</td>
<td>.579</td>
<td>.557</td>
<td>.430</td>
<td>.537</td>
<td>.537</td>
<td></td>
</tr>
<tr>
<td>Org. Innovation</td>
<td>3.8972</td>
<td>.87928</td>
<td>.408</td>
<td>.266</td>
<td>.384</td>
<td>.537</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Productivity at Work</td>
<td>3.8204</td>
<td>.88476</td>
<td>.704</td>
<td>.589</td>
<td>.438</td>
<td>.605</td>
<td>.473</td>
<td></td>
</tr>
<tr>
<td><strong>. Correlation is significant at the 0.01 level (2-tailed).</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Regression Analysis
Results of mediation test performed by following the steps recommended by Baron & Kenny, 1986. Valid mediation requires three conditions. First & Second, the independent variable must significantly affect the mediator & dependent variable. Third,
when the mediating variable is introduced the impact on dependent variable by independent variable will significantly decrease.

Results of regression analysis are shown in Table 4. As indicated in the first step, adjusted R² is .321, which shows that variation in organizational innovation is explained up to 32.1% through variation in the dimensions of organization culture. Standard regression coefficient and t values between concern for employee & trust and organizational innovation are non-significant (β=.166, t=1.913, p =.058). Similarly, standard regression coefficient and t values between organization mission and organizational innovation are also non-significant (β =.150, t=-1.769, p =.079). So it is concluded that there is no mediation role of organizational innovation between two independent variables (i.e. concern for employee & trust and organization mission) and dependent variable i.e. productivity at work. However, standard regression coefficient and t value between core value and organizational innovation is significant (β =.182, t=2.51, p =.013). Similarly, standard regression coefficient and t value between organizational learning & empowerment and organizational innovation is also significant (β =.446, t=5.245, p =.000). F value of the overall model in the first step is 20.598. Hence, H1b and H1d & e are accepted; however, H1a and H1c are rejected.

In the second step, adjusted R² is .573 which shows that variation in productivity at work is explained up to 57.3% through variation in the dimensions of organization culture. Standard regression coefficient and t value between concern for employee & trust and organizational innovation is significant (β =.438, t=6.357, p =.000). Standard regression coefficient and t values between organization mission and organizational innovation is also significant (β = .170, t=2.528, p = .012). However, standard regression coefficient and t values between core value and organizational innovation is non-significant (β =.109, t=1.880, p =.062). Standard regression coefficient and t values between organizational learning & empowerment and organizational innovation is significant (β =.210, t=3.108, p = .002). Hence, H2a, H2c, and H2d &e are accepted however, H2b is rejected.

In the third step, mediating variable of organization innovation is added into the overall model of independent variables of concern for employee & trust, organization mission, core value, and organizational learning & empowerment and dependent variable productivity at work. The results indicate that standard regression coefficient and t values in case of organizational learning & empowerment have become less significant (β =.146, t=2.023, p =.045); however, in case of core value, Standard regression coefficient and t values have become more insignificant (β =.082, t=1.420, p =.158). Hence, regression analysis of this study demonstrates partial role of mediation of organizational innovation between independent variable (i.e. organizational learning & empowerment) and dependent variable productivity at work, shows full mediation of organizational innovation between 'core values and productivity at work' and nor mediation of organizational innovation between
organizational mission and productivity at work. Concern for employee & trust and organizational mission, however shows a direct impact on productivity at work. Moreover, results of third step of regression analysis (See table 4) shows significant impact of organizational innovation on employees’ productivity ($\beta = 0.144, t = 2.335, p = 0.021$). Hence, H3 is partially accepted and H4 is accepted.

**Table 4: Regression Analysis**

<table>
<thead>
<tr>
<th>Step</th>
<th>Dependent Variable</th>
<th>Independent Variable</th>
<th>Standardized regression coefficients</th>
<th>F. value</th>
<th>t. value</th>
<th>Sig.</th>
<th>Adj R²</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Org Innovation</td>
<td>C. Trust O. Mission Core value Learning &amp; empowerment</td>
<td>.166 -.150 .182 .446</td>
<td>20.598</td>
<td>1.913 -1.769 2.501 5.245</td>
<td>.058 .079 .013 .000</td>
<td>.321</td>
<td>H1c rejected H1a rejected H1b accepted H1d&amp;e accepted</td>
</tr>
<tr>
<td>2</td>
<td>Employee productivity</td>
<td>C. Trust O. Mission Core value Learning &amp; empowerment</td>
<td>.438 .170 .109 .210</td>
<td>57.3</td>
<td>6.357 2.528 1.880 3.108</td>
<td>.000 .012 .062 .002</td>
<td>.565</td>
<td>H2c accepted H2a accepted H2b rejected H2d&amp;e accepted</td>
</tr>
<tr>
<td>3</td>
<td>Employee Productivity</td>
<td>C. Trust O. Mission Core value Learning &amp; empowerment Org innovation</td>
<td>.414 .192 .082 .146 .144</td>
<td>47.605</td>
<td>6.025 2.860 1.420 2.023 2.335</td>
<td>.000 .005 .158 .045 .021</td>
<td>.584</td>
<td>No mediation No mediation Full mediation Partial mediation Partial mediation H4 partially accepted H3 accepted</td>
</tr>
</tbody>
</table>

**VI. Conclusion**

The statistical results reveal the positive relationship exists between core values of the organization and organizational innovation. This implies that the organizations which seek for innovation must include crystal clear instructions in their core values. The results further indicate that the variable “core values” affects productivity at work through the full mediation of innovation. It means that core values play an important role in increasing the productivity of employees at work by incorporating innovation. By focusing on dyadic relationships, leaders will be able to develop mature partnerships based on mutual trust and emotional support (Tierney, 1999). These partnerships can bring about many benefits such as a greater autonomy and decision latitude, which are essential for creativity and innovation as they lead to employees’ propensity to take risks and deviate from the status quo (Scott and Bruce, 1994; Tierney, 1999).
The results depict the positive correlation between concern for employee & trust and organizational innovation. It shows that if management trusts on employees, they would become highly innovative. Providing benefits and building trust leads organizations to innovate. If employees believe that management trusts them, they would inform them about problems they face during working with technological equipment and about service troubles. On the basis of information, management would in turn improve service and technological equipment, thus trust leads to organizational innovation. Furthermore, concern for employee & trust has direct impact on productivity at work. It means that trust on employees increases the productivity at work, because they have authority to solve problem at spot.

The results further imply that organizations must include a clear mission statement to facilitate an innovative environment for organizational innovation. Clear objectives improve the efficiency of the employees. It provides clear way of doing the job in the best interest of the organization. Organization’s mission has direct impact on employee productivity. If organization’s mission is clear and supports innovation, it is possible for service industry like banks to improve employee productivity at work.

Further the findings reflect the positive relationship between organizational learning & empowerment and organizational innovation. The findings confirm the prior researches in terms of relationship between organizational learning and innovation (Chipika & Willson, 2006; Helfat & Raubitscheck, 2000; Sinkula, Baker & Noordewieer, 1997; Stata, 1989) and in terms of relationship between empowerment and organizational innovation (Cakar and Erturk, 2010; Ahmed, 1998).

The findings further indicate that strongest relationship exists between organizational learning & empowerment and organizational innovation. Organizational learning facilitates organizational innovation as problem faced by one employee and solution of that problem shared among other employees encourages organizational innovation in service industry like banks. Moreover, the findings reveal the partially mediation role of organizational innovation between learning & empowerment and productivity at work.

Finally, the results of this study indicate a positive relationship between organizational innovation and employee productivity. Hence, it is important for companies to consider the inter-linkages between productivity, quality and innovation when formulating and implementing strategies pertaining to any of them (Parasuraman, 2010).

Limitations and Directions for Future Research
Evangelista, Perani, Rapiti and Archibugi (1999) stated that organizational innovation varies with sector and size of the firm, therefore there is a need for comparative research on the basis of sector and size of the firm.

Furthermore, there is a significant role of environment on organizational culture and innovation adoption of the firm which has been neglected in this study. So in future, role of environment may be studied accordingly.

Managerial Implications

This study has major managerial implications. There is a substantial consensus that the responsiveness of organizations to external and internal challenges and their learning is the key competitive advantage of today’s organizations. Managers need to pay more attention to improve the organizational culture, making it innovation friendly to improve organizational innovativeness. Moreover, managers should also know that organizational learning and empowerment have a strong influence on organizational innovation. For that purpose, managers should build sufficient trust on their employees and make them feel empowered to enhance organizational innovation. Firms with clearly stated mission statements are more likely to innovate which will in turn increase employee productivity at work. Managers should take keen interest in bringing innovation through improved organizational culture so as to deploy right people at right projects to put the resources to the best use in organizations and to make the best use of the capabilities of organization’s employees.

Since a strong relationships have been found between organizational culture, innovation and employee performance so the management of banks may improve culture by manipulating the factors constituting and affecting culture in order to attain higher levels of innovation and hence productivity. For example, if the management facilitates the learning of its employees and empowers them, according to the study, they may become more innovative producing high level of performance. In short, managers should appreciate the innovative and creative cultures for bringing innovation capability and finally coming up with increased productivity at work.

References


