



The effects of cultural factors on innovation in a Thai SME

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Abstract

Purpose – The purpose of this paper is to look at a Thai manufacturing small to medium-sized enterprise (SME) in order to develop a basic understanding of the innovation concept and process in Thailand, and to investigate how the five factors associated with innovation interact with Hofstede's five cultural dimensions to influence the innovation process.

Design/methodology/approach – This study employs a qualitative methodology, using a case-study approach.

Findings – All the studies of national culture and innovation potential use Hofstede's dimensions but this study suggests that in Thailand there may be cultural factors other than Hofstede's that influence innovation and that modify the effects of Hofstede's model on innovation. Allied to this, it appears that the traditional cultural values could be shifting, as younger people absorb an increasing amount of influence from Western media. The first finding from this study suggests that Thai SMEs may tend to more effectively produce or adopt incremental innovations rather than radical ones. The second finding is that, if the research company is typical of Thai SMEs, Thai SMEs are likely to experience difficulties with adopting completely novel innovations effectively. This is because four (except the dimension of long versus short-term orientation) of Hofstede's five Thai cultural dimensions were clearly found to obstruct the innovation process. Also there are some cultural factors peculiar to Thailand, not mentioned by Hofstede, that impact on the innovation process.

Research limitations/implications – The paper underlines the need to understand local culture and environment, which play a crucial role in the success or failure of innovation activities of firms, particularly SMEs.

Originality/value – There have been very few studies on innovation with reference to Thai SMEs.

Keywords Thailand, Manufacturing industries, Small to medium-sized enterprises, Innovation, Cultural factors

Paper type Research paper



Cultural factors impacting on innovation

Much research has demonstrated how national culture influences organisational activities (Hofstede, 1983; Schneider and De Meyer, 1991), but fewer studies have examined how it affects innovation activities (Becheikh *et al.*, 2006) (Table I).

Cross-cultural research by Morris *et al.* (1994) and Van Everdingen and Waarts (2003) indicates that there is a curvilinear relationship between individualism and innovation with individualism being positively associated with innovation at the initiation and conclusion stages but negatively associated during the development stages where networking and team work are required.

The research on masculinity/femininity dimensions is much more mixed with outcomes ranging from negative through no relationship to positive. A meta-analysis of research into national culture effects on innovation capability concluded that masculinity has no correlation with innovation capability at all (Sun, 2009).

What we can be more sure of is that:

- individualism appears to be important at least at the initiating and concluding phases of innovation;
- high power distance is an innovation inhibitor;
- high levels of uncertainty avoidance have a negative impact on innovation; and
- a long-term orientation has a positive impact on the development of innovation.

Structural and contextual factors impacting on innovation

Whatever the cultural context, there are other contextual factors that affect the uptake or success of innovation (Figure 1). Some of these factors are purely exogenous, such as the state of the wider economy and environmental uncertainty (Freel, 2005), while others are endogenous, such as the amount of resources in the organisation committed

to innovation activity (Damanpour, 1992). One important factor is the nature of the innovation itself – for example the perceived benefits or how easy it is to create (Rogers, 1983; Moore and Benbasat, 1991 as cited in Agarwal and Prasad, 1997).

There are also behavioural and cognitive factors seen as significant for innovation in the literature, such as attitude to change (Mohamed, 2002; Scott and Bruce, 1994), flexibility, decentralisation (Didero *et al.*, 2008; Gupta and Buzacott, 1989; Cooper, 1998) and so on that are intimately linked to the cultural factors.

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Discussion

The most striking overall result was that it appears that this Thai SME more effectively produces or adopts incremental innovations rather than radical ones. As shown in Tables II-IV all of SLS innovation projects that were successfully completed (I1-I3) and had a potential to be successfully completed (I5) were produced or adopted under the concept of improving the existing products or combining the new with the existing, older techniques. This is because incremental innovations were

Table III.

perceived to have high simplicity and high result demonstrability. They were also perceived to require low resources because they usually required only a series of small, incremental changes.

Process innovations at SLS were used to assist in producing its products or in rendering its services. Some instances of these were the safety improvement plan (I4) the improvements to the spray-painting room (I5), the improvements in the use of computers in the document and filing system (I6) and the idea of carrying a stock of brackets (I9) (Table II). The first three projects were in progress and had not been completed by the end of the study. The last project – the establishment of a stock of brackets (I9) – was cancelled during the research period due to incompatibility with the existing practices. This innovation – proposed by a lower ranking supervisor – was to use down time to assemble brackets that could be utilised when production increased and thus save time. Later investigation showed that this could actually cost more as many of the doors that used the brackets were custom built and so needed differing kinds of brackets and so this innovation project was cancelled by the senior managers.

One interesting case was the improvements to the fire resisting door (I2). This was successful but judged to be the least successful product innovation as it took so long, extending the ROI. SLS made a door that could resist fire for up to one hour but there was a door that had appeared on the market that had double the resistance time and these were outselling SLS doors by a large margin so they wanted to compete with this by producing their own one. The door they were currently producing had been copied from a German design so they decided to take this approach again as they did not have the technical expertise to design it themselves. A mid-level manager was appointed to oversee this and he bought the competitor's two hour rated door and this was duly taken apart to see how to copy it. However, they found that this door was exactly the same as their current door and was not capable of resisting fire for two hours at all. The senior managers then decided to cancel the project as they had no idea how to proceed but the mid-level manager managed to get the support of some major shareholders and spent a long time gathering information and technical advice. Eventually, he was able to put together the plans for a two hour resistant door and get it into production, in spite of the resistance from more senior managers. This apparent departure from the customary respect for leaders is not explained by the standard Hofstede cultural profile and this will be revisited below.

All of the innovations observed were beset by varying degrees of negativity from senior managers. The more successful ones seemed to succeed not because of any real positive attitudes from senior managers but because of less negative ones.

The high incidence of negative attitudes to change could be attributed to several causes. First, there is the obvious one of the Thai cultural aversion to risk taking. Second, related to the first cause, is that many of the senior managers and some of the employees, were quite old (more than 60 years old) and appeared to have fixed ways of working and thinking and they did not welcome changes or innovation.

The second reason can be attributed to another Thai cultural characteristic. Most of these senior managers had been working for the company for a long time and had provided long and dedicated service and believed that without them, the company would not have got where it was. Thus, the company owed them a great debt. This feeling of being owed something derives from a specifically Thai cultural characteristic called "Bun Khun" (or bunkhun). At the centre of this is the notion of reciprocity – the return

of favours for services rendered such as help, being a good employee and so on (Thanasankit, 2002).

And with this Bun Khun, many senior managers believed that the company would not punish them for not pursuing innovations enthusiastically as long as they still took care of their main responsibilities. As a result, they did not see any necessity for being creative and innovative and did as little as possible in pushing improvements and innovation. The interaction of Bun Khun, aversion to risk taking and short-term orientation was likely to have made a large contribution to the high scores for negative attitudes and commitment to change at SSL.

In general, the factors that characterised the more successful innovations were high result demonstrability, relative advantage and simplicity, accompanied by pressure from changing markets and competition. Against these factors there were many forces resisting or limiting any change or innovation with strong expressions or instances of uncertainty avoidance, high power distance and short-term orientation.

When we also take into account the low supportive resources such as finance and relevant skills, the question has to be asked “how did this company manage to produce any innovations at all?”.

The answer to this may lie in an unexpected direction. Lower level, younger managers and employees were more enthusiastic but the high power distance and a related Thai cultural characteristic – “Pu yai” – respect for managers, elders, teachers and so on – should have meant that they would fall into line with their senior managers. We saw that in fact this often did not happen. Younger, middle managers would appear to ignore the injunctions and attitudes of their superiors and push ahead with innovations, as we saw when the younger manager went over his superior’s head to some major shareholders to get support for the improvements to the fire resistant door. Verluyten (1997) observed that there is:

[...] a very high degree of formal hierarchisation and stratification in Thailand, but, underneath all this, the social system allows the “lower” strata to have a lot of input and feedback into the decision-making process.

Unfortunately I could find no authoritative sources on this cultural factor and so this is an area that needs more research as it appears to make a crucial difference to Hofstede’s cultural profile for Thailand. It is this process that we observed at SLS and that allowed the development of some of the innovations. It seems that the enacted Thai culture may be much more complex, flexible and rich than is conveyed by Hofstede’s framework.

Hoffman’s framework has been criticised on various grounds and the point has been made that his original cultural profiles were formulated thirty years ago and that many cultures may have moved on since then. One of the causes of such change could be the growing impact of US culture on the world via various media. Such changes are likely to differentially affect different demographic groups with younger people being more likely to change away from traditional cultural patterns (Stephan *et al.*, 1998; Matsumoto *et al.*, 1996). This could account for the younger managers’ greater propensity to take risks and challenge authority in pursuit of innovative solutions.

Another factor assisting innovation in this case was the Thai King’s 1996 injunction to his people (Chaipattana Foundation, 1997) to work together to create a sustainable

future through creative use of resources. This was interpreted by some of the managers as an encouragement to be innovative and more efficient.

Conclusion

This is a study of one SME for a few months and so any findings here cannot be generalised to all Thai SMEs. However, some intriguing questions about the impact of national culture on innovation management in Thailand are revealed while much of the literature on factors that promote successful innovation are confirmed. Notwithstanding the limitations of this research, it is clear that national culture does have a differential effect on the innovation process. It is also clear that, in Thailand at least, the manner in which culture impacts on and interacts with organisational dynamics is much more complex than a simple reliance on Hofstede's framework would suggest. We tend to think of national culture as being unchanging but there is the suggestion here that the Thai national culture is changing under the onslaught of global media, particularly with younger people, and that this is changing the way Thai culture affects organisational dynamics. We suggest that there is a need for further research to examine more closely how national culture impacts the innovation process and how these cultures are changing.