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# The influence of organizational learning capability and organizational creativity on organizational innovation of Universities in East Java, Indonesia

Eddy Madiono Sutanto

Management Department, Faculty of Economics, Petra Christian University, Surabaya, Indonesia

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## ABSTRACT

In traditional business settings, learning capability and creativity are significant factors to push an innovation level. However, it's wondered whether if the same phenomenon will take place in higher educational institutions. This research used purposive random sampling method which involved 179 lecturers from all universities in East Java Province of Indonesia. The results indicated that both variables influenced organizational innovation, partially and simultaneously. There was no difference category either on public or private universities on those variables. Discussions and suggestions are provided to enhance further researches and universities management.

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## 1. Introduction

Globalization has made changes in many sectors. Each change demands higher product quality and higher service. The high demands cannot be avoided by people who work in commercial enterprise and industry and also by people who exercise in other sectors, such as university administrators. One of the needs faced by university administrators is to enhance a performance which creates a learning procedure which will yield graduates who are able to fill the needs of this historic period. This immense challenge requires changes in leadership, learning capacity, creativity, and innovative capability in all the components of the university.

Higher education is very important and vital for a country's development. Universities have the role and function as the center of knowledge and change, therefore universities should produce highly resourceful graduates (Hartanto, 2009). The university's role as an agent of change can become an alternative parameter based on the university's ideology which is known as the university's three duties which include education/instruction, research, and community service (Munir, 2009).

Universities in Indonesia are facing this huge challenge. This is

paired with the ratification of Asean Economic Community (AEC) by the close of 2015. Subsequently the government signs the free trade pact, there will be greater competitions faced by the universities, namely among universities in Indonesia, and also between Indonesian universities and foreign universities which may overwhelm Indonesia in the near future.

The great environmental and expectations changes faced by university graduates require universities to develop new and effective approaches, paradigms, practices, and strategies. The orientation of university management, including the management of the faculties and departments within the university should be readjusted. Universities should reorient, restructure, and redefine their organization, management, and strategies.

The universities' contribution towards our country's competitive advantage can be increased if the organizational health of higher education is good. Universities are required to produce highly qualified graduates with entrepreneurial spirit, who can create employment; develop and distribute knowledge, applied science, and art; participate actively in the growth of our nation's culture; and enhance the quality of the services rendered to the residential area. In order to meet these demands, Indonesian Universities are obliged to make changes through professional, progressive, creative, and innovative management, and entrepreneurial leadership.

The university administrators hold an important role in the success of the university's programs including entrepreneurship

E-mail address: [esutanto@petra.ac.id](mailto:esutanto@petra.ac.id).

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program. As the holder of authority in the university departments, university administrators have a central position and role. If the university administrators as a leader do not have leadership, capability, creativity, and innovative power, a department may go into a steep path. Thus, it is necessary to perform researches which study the university administrators' role in supporting their organization to achieve the expected performance.

The huge growth of information and communication technology at present and in the future will increase the flow of globalization around the Earth. This will increase competitions and uncertainty in industry and business. This alteration does not only affect profit oriented companies, but universities also. Therefore, universities are looking bigger and harder challenges. The competitions among universities are getting more exacting. This situation compels university administrators to continuously seek creative and advanced schemes in order to exist or to win the contests. Successful universities are not only successful in attaining their vision and missionary post, but also successful in contributing to overcome educated unemployment, by focusing on entrepreneurship programs in order to develop new entrepreneurs.

Several researchers have studied the influence of innovation variable or organizational innovation variable on performance. Innovation is regarded as an important factor in the company's performance and company's survival within a competitive surroundings (Aragon-Correa, Garcia-Morales, & Cordon-Pozo, 2007; Bello, Lohtia, & Sangtani, 2004; Bueno & Ordon˜ez, 2004; Dam-ampour & Gopalakrishnan, 2001; Ho, 2011; Salim & Sulaiman, 2011). The capability to learn is a necessary factor for an organization to grow and to innovate (Hult, Hurley, & Knight, 2004; Jimˆenez-Jimˆenez & Sanz-Valle, 2011; Jerez-Gomez Cespedes-Lor-ente & Valle-Cabrera, 2005; Lynn & Akgˆun, 2000). Effective organizational innovation is the key to build and maintain a competitive advantage to face environmental changes (Lemon & Sahota, 2004; Liao, Fei, & Liu, 2008).

Some other variable which influences performance is leadership. Behavior of leaders greatly influences employees' performance. Leadership is influencing on innovation processes and activities (Oke, Munshi, & Walumbwa, 2009). Moreover, both innovation and transformational leadership influence on organizational performance (Samad, 2012). Leaders influence employees' innovative behavior, both through their deliberate actions aiming to stimulate idea generation and application as well as by their more general, daily behavior (De Jong & Den Hartog, 2007). This is supported by the finding which proves that an effective leader influences his followers to show expected behavior in order to reach expected goals. Leadership style influences organizational effectiveness or organizational performance (Nahavandi, 2002, p. 125). Yang (2008) adds that transformational leadership has a more significant correlation with business performance compared to other leadership styles.

This research focussed on the management of accredited universities (with grades A and B) which offer undergraduate programs in East Java, which have entrepreneurship program in their learning-instructing processes. University departments with grade A and B accreditation represent other university departments in Indonesia and can be considered as an important and valuable standard. The accreditation status of a university department shows the quality of the education process in the department (National Accreditation Board of Higher Education, 2014). This research observed the opinions of lecturers of undergraduate programs with class A and B accreditation in East Java who had full knowledge of their departments, especially their leaders or heads of sections. It was expected that this research might give inputs for developing a model for the management of university departments which can meet the challenges of this age. The aims of this research

were as follows: to test and analyze the influence of organizational learning capability on organizational innovation, the influence of organizational creativity on organizational innovation, the influence of organizational learning capability and organizational creativity in organizational innovation in universities in East Java, Indonesia.

## 2. Relationship between the concept and the hypothesis of the research

### 2.1. Organizational learning capability and organizational innovation

The greater the innovation achieved by an organization, the greater also the learning and the change required by the system. The foundation of organizational knowledge through which new knowledge is gained from existing knowledge (organizational learning) stimulates organizational innovation (Sanz-Valle, Naranjo-Valencia, Jimˆenez-Jimˆenez, & Perez-Caballero, 2011). A high innovation requires a high and effective organizational learning capability (Ho, 2011). A learning organization is an innovative organization (Nooteboom, 2010, p. 131). Organizational learning capability has a positive and significant influence on company's innovation (Chung, Sue, & Guan, 2011; Tohidi & Mandegari, 2012). This research aimed to recover out the relationship between these variables by proposing the following theory:

**H1.** Organizational learning capability has a substantial influence on organizational innovation of universities in East Java, Indonesia.

### 2.2. Organizational creativity and organizational innovation

Creativity is an important element of innovation. A company needs processes, operations, and structures which enable timely and efficient performance of projects so that its wares are genuinely innovative (Stamm, 2008). Invention is an execution of successful creative ideas in an organization (De Sousa, Pellissier, & Monteiro, 2012). According to this view, individual and group creativity is the starting point of innovation. Nevertheless, a successful innovation also depends on other components such as transfer of technology. This research sought to ascertain out the relationship between these variables by proposing the following theory:

**H2.** Organizational creativity has a substantial influence on organizational innovation of universities in East Java, Indonesia.

This research was performed to test and analyze the relationship or influence between the variables as detailed above and as can be seen in the conceptual frame in Fig. 1.

## 3. Research method

This was a quantitative research project. The approach used in this research was through multiple linear regression analysis, which aimed to test and analyze the influence between independent (exogen) variable and dependent (endogen) variable. The population was lecturers of undergraduate programs by grade A and B accreditation of universities in East Java, Indonesia. This research used purposive sampling technique or sampling with specific consideration (Sugiyono, 2013, p. 122).

The data collection technique used was through questionnaire of respondents' characteristics, research variables, and open questions. These questionnaires were distributed via emails to the lecturers. Six of the 185 questionnaires collected from the respondents

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