

ABSTRACT

DETERMINANTS OF AN INNOVATION SUPPORTIVE ORGANIZATIONAL CULTURE IN LOCAL GOVERNMENTS

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A number of researchers have argued recently that, despite an austere financial environment, local governments in the United States are being innovative. Evidence for this assertion and recommendations for the successful implementation of innovation, however, is based largely on case studies and surveys of best practices, rather than on large-scale research. This study was designed to provide more systematic evidence addressing questions about the extent and bases of innovation in U.S. local governments. The first part of this paper identifies the determinants of an innovation supportive organizational culture. A second part of the study examines whether the predictions of prospect theory regarding risk-taking also hold true for innovation-supportive organizational cultures. Prospect theory predicts that people are risk-seeking when facing losses, and risk-averse when facing potential gains. Organizational behavior under conditions of uncertainty has also been shown to follow this prediction. Because risk-taking is an integral part of innovation, prospect theory may help to explain organizational support for innovation under varying economic conditions.

Results of the study are based on a survey of 247 respondents selected from 133 local government executive and economic development offices. The public agencies were

selected using a stratified random sampling design. Principal component and factor analyses are used to verify the validity of the measures of the independent variables. The resulting components are then entered into two linear regression models, in order to (a) identify the significant predictors of an innovation supportive organizational culture and (b) test the hypothesis derived from prospect theory by distinguishing cities experiencing high rates of economic growth from cities experiencing slow rates of economic growth.

The analysis reveals that organizational support for innovation is significantly and positively influenced by management support and trust, attaching pay raises and promotions to performance, using objective criteria in determining rewards, goal clarity, and organizing work around teams. The results also suggest that organizations in cities with slow growth rates are almost three times more likely to support innovation than organizations in cities with high growth rates. Organizational support for innovation is therefore influenced by a gain/loss context.