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PARTICIPATIVE MANAGEMENT AND PERCEIVED ORGANIZATIONAL PERFORMANCE: THE MODERATING EFFECTS OF INNOVATIVE ORGANIZATIONAL CULTURE

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ABSTRACT: *Participative management and innovation are major themes of recent organizational reforms in the United States and other countries. Using a South Korean version of the Organizational Assessment Survey of the U.S. Office of Personnel Management, this study assesses how participative management and innovative culture are associated with public employees' perceived organizational performance in the South Korean central government. The study finds that both are positively related to perceived organizational performance, but that the relationship between participative management and perceived organizational performance (i.e., internal efficiency) is moderated by employees' perceptions of the organization's innovative culture. Specifically, participative management has weaker effects on internal efficiency in high-innovation cultures than in low-innovation cultures.*

KEYWORDS: *innovative culture, organizational performance, participative management, South Korea.*

Participative management and innovation are a major theme of recent organizational reforms in the United States and other countries. A number of researchers have examined the relationship between participative management and innovativeness and organizational performance in various private and public

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organizations (Damanpour, Walker, & Avellaneda, 2009; Julnes, 2001; Kim, 2002; Kim, 2010; Lam, Chen, & Schaubroeck, 2002; Locke & Schweiger, 1979; Wagner, 1994). In general, the works of these researchers suggest that there is a positive relationship between participative management and performance and also between innovativeness and performance. Accordingly, many governments, especially in Western countries, have implemented participative management and innovation to enhance their organizational performance. However, as in other Asian countries, authoritarian managerial styles were long common in the South Korean government, and relatively little attention was paid to participative management and innovative culture. Since the 1990s, however, the South Korean government has adopted New Public Management (NPM) to improve its performance. As a result, various public agencies in South Korea have implemented participative management and promoted innovative culture through organizational reform.

Despite the fact that public sector organizations have adopted participative management practices and have built innovative cultures with the expectation of improving performance, there is a dearth of empirical assessment exploring the relationship among participative management, innovative culture, and performance in the public sector of South Korea. Most prior work was based on samples from Western cultures like the United States and the United Kingdom. Given the widely recognized cultural differences between Western and Asian countries, this study analyzes how participative management and innovative culture affect perceived organizational performance in a non-Western country like South Korea. The study has the further objective of examining the moderating effects of innovative culture on the relationship between participative management and perceived organizational performance in the South Korean setting. Testing the effect of participative management and innovative culture on organizational performance will have implications for current organizational reform in South Korea.

Literature and Model Development

PARTICIPATIVE MANAGEMENT AND ORGANIZATIONAL PERFORMANCE

Locke and Schweiger (1979) separate the benefits of participative decision-making (participative decision-making) into two major categories: (1) enhanced employee morale and job satisfaction, and (2) increased productive efficiency. With respect to the first category, participative decision-making increases morale and job satisfaction and reduces turnover and absenteeism, and increased employee morale and job satisfaction are positively related to organizational performance. Thus, participative decision-making indirectly affects performance. On

the other hand, the second category includes "higher production, better decision quality, better production quality and reduced conflict and costs" (Locke & Schweiger, 1979, p. 277). Therefore, participation also has a direct influence on organizational performance. Most studies on the relationship between participation and performance fall into these two categories (Guthrie, 2001; Huang, 1997; Kim, 2002; Lam et al., 2002; Wagner, 1994).

Several researchers have provided practical evidence regarding the impact of participation on organizational outcomes such as productivity, job satisfaction, turnover rate, and absenteeism in public and industrial organizations (Cotton, Vollrath, Froggatt, Lengnick-Hall, & Jennings, 1988; Huang, 1997; Kim, 2002; Nouri & Parker, 1998; Wagner, 1994). In general, empirical research on the relationship between participation and performance has produced positive results. For example, the study by Kim (2002) showed that participative management is positively related to employee job satisfaction in local government agencies in the United States. However, some empirical studies reported insignificant or negative effects of participation on performance and satisfaction (Berkowitz, 1953; Cotton et al., 1988; Latham & Yukl, 1976).

With these mixed results from previous studies, scholars have focused more on the contextual factors that moderate the participation-outcome relationship. In addition to different forms of participation, they have found that various situational variables can affect the participation-performance relationship and may produce mixed outcomes (Sagie, 1994; Wagner & Gooding, 1987). For example, a number of researchers have suggested that the link between participative decision-making and organizational outcomes depends on cultural values (Huang, 1997; Lam et al., 2002). Lam et al. (2002) found that participative management has a greater effect on performance when it fits the situation (i.e., cultural values).

Authoritarian managerial styles are common in South Korea. Public agencies emphasize an authoritative and hierarchical organizational culture to promote efficiency in civil service (Ko, Park, & Kim, 2007). In this culture, government decision-making is centralized. However, since the 1997 economic crisis, administrative reform has been a top priority for the South Korean government (Kim, 2000). The government has adopted New Public Management to improve its performance. In keeping with NPM, the South Korean government has emphasized participative management practices and taken measures to increase personal empowerment and employee involvement in public agencies. However, even though NPM highlights the importance of a participative culture in government agencies, South Korea still has a national culture with a high power distance index (PDI) and a low individualism value (IDV), according to Hofstede (2009). A high PDI shows a high level of inequality of power, whereas a low IDV indicates a society with a collectivistic attitude and relatively

strong interpersonal bonds. Sagie and Aycan (2003) argue that participative decision-making styles are different across countries due to different national cultures. This means that the decision-making style reflects cultural values. For example, where national culture is low on individualism and high on power distance, participants in decision-making are limited and the purpose of participative decision-making is to strengthen loyalty. Thus, the relationship between participative decision-making and performance can vary from culture to culture. In the present study, we examine the relationship between participative decision-making and organizational performance in South Korea.

Despite the adoption of participative management practices by public sector organizations with expectations for improving performance, there is a dearth of empirical assessment of the relationship between participative management and performance in the public sector of South Korea. Cho and Kim (2009) examined the effect of participative decision-making on performance in public enterprises run by the city of Seoul. However, their results do not support a positive relationship between participative decision-making and performance.

Since prior research has had mixed and inconclusive results regarding the relationship between participative decision-making and performance, we examine whether the use of participative management improves organizational performance by improving the attitudes and organizational commitment of officials in public sector organizations in South Korea (Julnes, 2001; Locke & Schweiger, 1979). Therefore

Hypothesis 1: Participative management is positively associated with perceived organizational performance.

INNOVATIVENESS AND ORGANIZATIONAL PERFORMANCE

Innovation is defined as a "response to environmental change or means of bringing about change in an organization" (Damanpour & Evan, 1984, p. 393). Faced with uncertainties and external and internal environmental changes, organizations need to be innovative to survive and to achieve their organizational goals. Organizations cannot meet new environmental conditions without innovative activities, and innovations are "a means of maintaining or improving organizational performance" (Damanpour & Evan, 1984, p. 395). Thus, innovativeness is considered "an enduring organizational trait" for organizational success (Subramanian & Nilakanta, 1996).

With respect to public sector organizations, there has been little research regarding the effects of innovation on organizational performance (Damanpour et al., 2009; Salge & Vera, 2009; Walker, Damanpour, & Devece, 2011).

Damanpour et al. (2009) and Salge and Vera (2009) examined the innovation-performance relationship in public organizations in England. Both studies found a positive relationship between innovation and organizational performance in public organizations. The study by Walker et al. (2011), using structural equation modeling, also found a positive effect of management innovations on organizational performance in English local governments.

In addition, there has been little research on the impact of innovative culture on organizational performance in the public sector. Organizational culture consists of the body of assumptions, values, and norms shared by the organization's members, and innovation and risk-taking comprise one of the dimensions of organizational culture (O'Reilly, Chatman, & Caldwell, 1991). Innovative culture can be understood in terms of attitudes toward innovation, technology, exchange of knowledge, entrepreneurial activities, business, and uncertainty (Hofstede, 2003). In other words, it refers to deeply held beliefs and values in innovation. If an organization has an innovative organizational culture, it is more likely to try out new ideas, take risks, and encourage innovations (O'Reilly et al., 1991). McLean (2005) proposes that "organization innovation occurs in organizations that provide a context that contains both enabling and motivating conditions for innovations" (p. 243). Organizations that provide such contexts generate more innovations, which in turn improve organizational performance. Kim (2010) examined public employees' perception of public entrepreneurship (i.e., risk-taking, innovativeness, and proactiveness), and then analyzed its impact on perceived organizational performance in 296 U.S. state agencies. Results showed that all three dimensions of public entrepreneurship were statistically significant for improving performance. Similarly, we expect that a higher level of perceived innovative culture is positively associated with organizational performance. Thus:

Hypothesis 2: Innovative culture is positively associated with perceived organizational performance.

Third, this study examines the impact of an organizational culture of innovation on the relationship between participative management and organizational performance. Thus, we add an interaction term for participative management and innovative culture, to test the prediction that participative management is most consequential with respect to the level of innovative culture in an organization. Innovative culture, as an underlying value, may moderate the relationship between participative management and organizational performance. As Yiing and Ahmad (2009) observed, a management style that fits an organizational culture style can lead to good organizational performance. Previous

research provides evidence of the moderating role of organizational culture on the relationship between participation and job-related outcomes. For example, Subramaniam and Ashkanasy (2001) found that budgetary participation reduces job-related tension when managers' perceptions of innovation are high. In addition, Yiing and Ahmad (2009) found that innovative and supportive cultures moderate the relationship between participative and supportive leadership behaviors and organizational commitments.

Thus, participation in decision-making can be more effective in improving managerial performance when there is a high level of uncertainty in an organization. This is because participation increases a "participant's commitment to the new idea, making implementation more effective" (Russell & Russell, 1992, p. 643). Lam et al. (2002) noted that the effect of participative decision-making on employee performance is dependent on the employee's participation efficacy. The research by Rafiei and Pourreza (2013) found that the level of a perceived power distance culture has a significant effect on the relationship between participation and outcome variables. To sum up, previous studies have shown that organizational culture influences the usefulness of participation in decision-making, thus moderating the relationship between participation and organizational performance (Lam et al., 2002; Rafiei & Pourreza, 2013; Subramaniam & Ashkanasy, 2001).

Participation and employee-involvement programs can be successful when they are compatible with the existing culture of an organization (Cotton et al., 1988). For example, innovative organizational climate is the driver for employee involvement in decision-making (Shadur, Kienzle, & Rodwell, 1999). There is a constant interplay between organizational culture and management practices. Without the support of the necessary culture, participative decision-making does not function well. Thus, we expect that participative decision-making will yield a greater organizational performance benefit when the organization has a high-innovative organization culture. In organizations with low levels of innovative culture, participation is less likely to provide the opportunity to enhance organizational performance. Accordingly

Hypothesis 3: Participative management has a greater positive effect on perceived organizational performance for organizations with higher levels of innovative culture than organizations with lower levels of innovative culture.

Figure 1 shows the theoretical framework for this study. There are two main independent variables that may positively affect organizational performance: participative management and innovative culture. The study includes the moderating effect of innovative culture on the relationship between participative management and organizational performance.

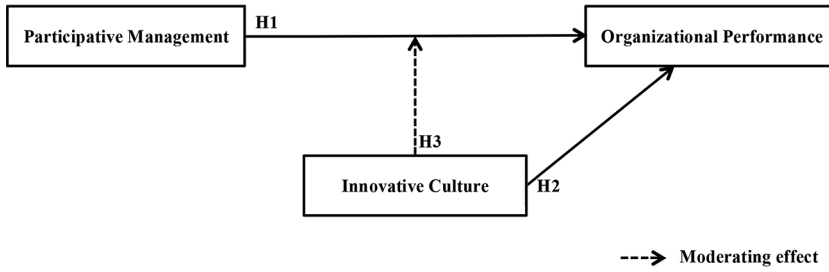

Figure 1. Analytical Framework

Methods

The data for this study were collected using a modified and translated Korean version of the Organizational Assessment Survey (OAS) by the U.S. Office of Personnel Management. The OAS measures 17 dimensions of organizational climate (innovation, employee involvement, supervision, etc.) that are important in organizational performance. In addition to the original survey questions in the OAS, we added questions on the perception of organizational performance after reviewing the related organizational performance literature (Brewer & Selden, 2000; Kim, 2005).

The survey was conducted from October 2007 to January 2008 at the Central Officials Training Institute in Gyeonggi-do, South Korea. We randomly chose three training sessions that had a capacity of 300. Among the training participants, we were able to find the first 200 participants' contact information. Then the survey questionnaire package was mailed twice to 200 permanent full-time public employees in various South Korean central government agencies. To increase the response rate, follow-up request letters were mailed two weeks after the delivery of the initial survey. A total of 159 completed surveys were returned, yielding a response rate of 79.5%. Due to missing values, the number of observations in our sample in Model 1, Model 2, Model 3, Model 4, and Model 5 is 136, 134, 135, 135, and 134, respectively. Table 1 provides demographic descriptions of survey respondents in terms of their sex, age, length of service, and hierarchical rank. As shown in Table 1, 80% of the respondents were male and the remaining 20% were female. In terms of the age distribution of survey respondents, it is quite evenly distributed between those in their thirties, forties, and over fifty. More than half of the respondents had less than five years of service as public servants. More than half of the respondents were in Grade 5 or 6.

Table 1. Description of Survey Respondents

Variable	*Category*	*N*	*Percent*
Gender	Male	125	82%
	Female	28	18%
	Total	153	
Age	20 s	8	5%
	30 s	40	26%
	40 s	51	33%
	≥50 s	55	36%
	Total	154	
Length of service	0–6 mos.	7	4%
	6–12 mos.	8	5%
	1–3 years	38	24%
	4–5 years	25	16%
	6–10 years	13	8%
	11–15 years	15	10%
	16–20 years	10	6%
	21–25 years	23	15%
	26–30 years	13	8%
	≥31 years	4	3%
	Total	156	
Ranking	Grade 1	5	4%
	Grade 2	15	11%
	Grade 3	13	9%
	Grade 4	6	4%
	Grade 5	38	27%
	Grade 6	44	32%
	Grade 7	10	7%
	Grade 8	5	4%
	Grade 9	2	1%
	Grade 10	1	1%
	Total	139	

Note: Grade 1 is the highest level in the South Korean public servant ranking system.

MEASURES

All survey questions regarding innovative culture, participative management, job satisfaction and organizational performance were in the form of a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). A full list of survey questions is in the Appendix (see the Appendix). The study has five dependent variables (i.e., proxy variables for perceived organizational performance); participative management and innovative culture are the main independent variables. As control variables, in the regression models, we included gender, age, number of years worked in the current agency, rank, and job satisfaction.

It would have been informative if we had used an objective measure of organizational performance as a dependent variable. However, in the public sector it

is difficult to find an objective organizational performance measure. We addressed this problem by following Brewer and Selden (2000) and measuring organizational performance as the perceived organizational performance among individuals who work in the organizations. As Brewer and Selden (2000) suggested, "when objective organizational performance data are unavailable, subjective (i.e., perceived) organizational performance can be used as an alternative method" (p. 689). As to concerns that self-reported perceived performance measures might be biased, there is a strong positive correlation between perceived and objective measures of organizational performance. Therefore, we employed measures of perceived organizational performance as our dependent variables in this study. Perceptions of organizational politics were measured with five items from a scale developed by Kim (2005): (1) business relations with outside customers are dealt with very promptly; (2) the organization's manpower is used efficiently; (3) the cost of managing the organization and performing work has been reduced; (4) in the past two years, productivity has improved; (5) overall performance has improved. Each of the five dependent variables measures three dimensions of organizational performance (Brewer & Selden, 2000; Kim, 2005) (see the Appendix).

The Organizational Assessment Survey by the U.S. Office of Personnel Management provided three items to measure participative management. The perceived level of participative management is a summative measure of three different questions, such as "Employees have a feeling of personal empowerment and ownership of work processes," "Supervisors/team leaders provide employees with the opportunity to demonstrate their leadership skills," and "Managers provide an environment that supports employee involvement, contributions, and teamwork." Cronbach's α between the three variables is 0.86. The participative management variable ranges from 4 to 15. Innovative culture was measured by an index of five items: risk taking, reward for creativity and innovation, managers' receptiveness to change, employees' receptiveness to change, and encouragement of new practices. The Cronbach's α value of innovative culture is 0.82. These five items were summed to create a score for innovative culture. The combined innovative culture variable ranges from 7 to 24. The bivariate correlations and descriptive statistics for the sample data are reported in Table 2.

ANALYSIS

We conducted multiple regression analyses. To reduce multicollinearity in the interaction term, we created mean-centered variables for the scaled variables, and these mean-centered variables were used in the actual analysis. A significance level of $p < 0.10$ was considered significant for all tests. In addition,

Table 2. Bivariate Correlations and Descriptive Statistics

Variable	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*
1. DV1	1.000												
2. DV2	0.567	1.000											
3. DV3	0.531	0.782	1.000										
4. DV4	0.597	0.607	0.538	1.000									
5. DV5	0.696	0.509	0.457	0.664	1.000								
6. PM	0.526	0.364	0.391	0.576	0.574	1.000							
7. IC	0.393	0.332	0.449	0.409	0.489	0.590	1.000						
8. JS	0.151	0.136	0.178	0.216	0.320	0.228	0.297	1.000					
9. SAT_ORG	0.430	0.321	0.358	0.286	0.404	0.391	0.375	0.527	1.000				
10. LOS	0.010	0.040	0.024	0.195	0.087	0.084	0.021	0.213	0.085	1.000			
11. Rank	0.010	−0.004	0.025	−0.178	−0.145	−0.245	−0.247	−0.246	−0.207	−0.429	1.000		
12. Age	0.132	0.134	0.051	0.322	0.244	−0.231	0.201	0.268	0.201	0.633	−0.610	1.000	
13. Sex	0.125	0.096	0.059	0.162	0.019	0.053	0.075	0.027	0.017	0.255	−0.349	0.448	1.000
M	3.92	3.71	3.62	3.94	3.89	10.66	16.64	3.59	3.47	5.14	4.96	3.99	0.81
SD	0.68	0.75	0.72	0.75	0.68	1.94	3.03	0.61	0.75	2.44	1.82	0.91	0.38
Min	1	2	2	1	2	4	7	1	1	1	1	2	0
Max	5	5	5	5	5	15	24	5	5	10	10	5	1

Notes: DV1 = Business relations with outside customers very prompt. DV2 = Efficiently utilizing organization's manpower. DV3 = Reducing the cost of managing the organization and performing work. DV4 = In the past two years, productivity has improved. DV 5 = Overall performance has improved. PM: Participative management. IC: Innovative culture. JS: Job satisfaction. SAT_ORG: Satisfaction with organization. LOS: Length of service.

collinearity diagnostics were conducted. Specifically, we calculated the variance inflation factor (VIF) for the explanatory variable to detect the presence of multicollinearity. As a rule of thumb, severe multicollinearity may happen if any one of the VIF values is greater than 10.

Results

Table 2 presents the bivariate correlations for all of the variables in the analyses. The bivariate correlations among the variables are generally moderate and weak. The magnitude of the correlation coefficients between all of the independent variables ranged from 0.01 to 0.63, indicating no multicollinearity problems. In addition, all independent and control variables have VIF values of less than 3; thus the regression models do not have multicollinearity issues. The proportion of variance explained by a variable ranged from 0% to 40%. However, some dependent measures show relatively high correlation coefficients. For example, the second dependent variable (DV2) is substantially correlated with the third dependent variable (DV3) ($r = 0.782$), which indicates that they are not sufficiently distinct.[1]

First, we analyzed whether R^2 improved after including the two main independent variables (i.e., participative management and innovative culture). Table 3 reports R^2 values for the model with only control variables and for models with the main independent variables. Results show that two variables significantly increase the explanatory power of the models. For example, while approximately 22% of the variance in DV5 can be explained by the control variables, the portion of variance explained by a model increased by 21% with both of the two main explanatory variables. In other words, including two variables (i.e., PM and IC) doubled the overall R^2 of the model from 0.22 to 0.43. This increase indicates that participative management and innovative culture have significant explanatory power in explaining variations in perceived organizational performance.

Table 4 shows the results of the robust regression analyses of participative management and innovative culture regarding separate perceived organizational performance measures. Table 4, section a reports the results of the simple main effect of participative management and innovative culture. Thus, no interactions

Table 3. Comparison of R^2 Values

	DV1	*DV2*	*DV3*	*DV4*	*DV5*
1. Model with only controls	0.222	0.113	0.118	0.151	0.218
2. Model with PM	0.363	0.193	0.238	0.333	0.415
3. Model with IC	0.292	0.185	0.282	0.218	0.337
4. Model with PM and IC	0.374	0.218	0.305	0.336	0.432

Table 4. Robust Regression Results

	DV1		*DV2*		*DV3*		*DV4*		*DV5*	
	β	*SE*	β	*SE*	β	*SE*	β	*SE*	β	*SE*
(a) Simple main effect of participative management and innovative culture										
Participative management	0.134***	0.037	0.095**	0.045	0.082	0.051	0.173***	0.040	0.145***	0.036
Innovative culture	0.022	0.026	0.038	0.026	0.083***	0.028	0.016	0.022	0.042**	0.021
Job satisfaction	−0.156	0.126	−0.071	0.145	−0.010	0.127	−0.013	0.142	0.134	0.120
Satisfaction with organization	0.346***	0.092	0.233*	0.132	0.178	0.123	0.104	0.117	0.117	0.093
Length of service	0.007	0.026	0.008	0.030	0.029	0.034	0.028	0.026	−0.010	0.030
Rank	0.132***	0.035	0.098***	0.037	0.092**	0.038	0.080**	0.036	0.049*	0.029
Age	0.097	0.088	0.087	0.109	−0.048	0.115	0.172*	0.093	0.156*	0.093
Gender	0.292**	0.139	0.168	0.182	0.213	0.176	0.158	0.187	−0.105	0.132
Constant	3.684***	0.120	3.577***	0.158	3.440***	0.150	3.823***	0.167	3.959***	0.113
R^2	0.374		0.218		0.305		0.336		0.432	
N	136		134		135		135		134	
(b) Interaction effect of participative management and innovative culture										
Participative management	0.134***	0.037	0.101**	0.042	0.085*	0.045	0.174***	0.041	0.145***	0.036
Innovative culture	0.022	0.024	0.031	0.025	0.076***	0.026	0.012	0.021	0.043**	0.020
PM × IC	0.000	0.010	−0.017*	0.009	−0.018*	0.010	−0.009	0.011	0.002	0.008
Job satisfaction	−0.156	0.129	−0.051	0.139	0.002	0.123	−0.007	0.141	0.133	0.121
Satisfaction with organization.	0.346***	0.093	0.206	0.131	0.160	0.120	0.095	0.119	0.119	0.094
Length of service	0.007	0.026	0.013	0.031	0.035	0.033	0.031	0.026	−0.011	0.030
Rank	0.133***	0.035	0.089**	0.038	0.085**	0.037	0.076**	0.036	0.050*	0.029
Age	0.097	0.088	0.086	0.107	−0.049	0.114	0.172*	0.093	0.156*	0.093
Gender	0.293**	0.140	0.148	0.179	0.199	0.173	0.150	0.180	−0.103	0.133
Constant	3.682***	0.120	3.650***	0.163	3.516***	0.155	3.863***	0.154	3.950***	0.116
R^2	0.374		0.240		0.331		0.342		0.432	
N	136		134		135		135		134	

Notes: DV1 = Business relations with outside customers very prompt. DV2 = Efficiently utilizing organization's manpower. DV3 = Reducing the cost of managing the organization and performing work. DV4 = In the past two years, the productivity has improved. DV 5 = Overall performance has improved. *$p < 0.10$; **$p < 0.05$; ***$p < 0.01$.

are present in Table 4, section a. For the first dependent variable (i.e., "My organization has conducted business relations with outside customers very promptly"), participative management is positively associated and statistically significant ($\beta = 0.134$, $p < 0.01$). Also, for the second dependent variable ("The organization has carried out work by efficiently utilizing its manpower"), participative management is positively associated and statistically significant ($\beta = 0.095$, $p < 0.05$). For the third dependent variable ("My organization is trying to reduce the cost of managing the organization and performing work"), only innovative culture is positively associated and statistically significant ($\beta = 0.083$, $p < 0.01$). For the fourth dependent variable ("In the past two years, the productivity of my organization has improved"), only participative management is positively associated and statistically significant ($\beta = 0.173$, $p < 0.01$). Finally, for the fifth dependent variable ("Overall performance has improved"), both participative management and innovative culture are positively associated and statistically significant ($\beta = 0.145$, $p < 0.01$, and $\beta = 0.042$, $p < 0.05$ respectively). Thus, participative management and innovative culture in the organization are associated with employee perceptions of the organization's overall performance. However, participative management is a more important predictor than innovative culture in explaining perceived overall performance. For example, for the fifth dependent variable (DV5), one standard deviation (1.95) increase in participative management enhances the perceived overall performance by 0.40 standard deviation (≈ 0.27), but one standard deviation (3.03) increase in innovative culture increases the perceived overall performance by 0.18 standard deviation (≈ 0.12).

In sum, we find that participative management, one of the two main independent variables, is positively associated with four out of five of the perceived organizational performance measures, and these relationships are statistically significant. Innovativeness, another main independent variable of this study, is also positively associated with two of the perceived organizational performance measures, and these relationships are statistically significant as well. Thus, it is possible to conclude that both participative management and innovative culture can enhance perceived organizational performance. When we compare the absolute size of the independent variables, the most influential predictor is participative management in all models except DV3. For DV3, innovative culture is the most important variable.

Our analyses support that satisfaction in an organization is positively associated with perceived organizational performance, while job satisfaction turns out to be statistically insignificant. We find that satisfaction in an organization is positively related with organizational performance in two out of the five models. Another finding is that ranking is negatively associated with perceived performance. That is, the higher-ranking public servants'

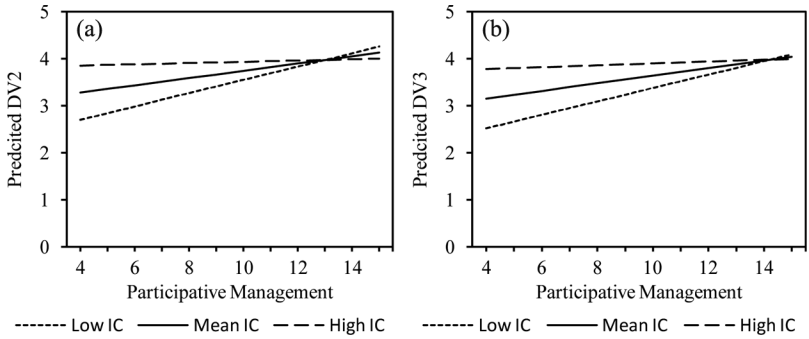

Figure 2. Moderating Effect of Innovative Culture in the Relationship Between Participative Management and Organizational Performance. ***Notes:*** **DV2 = Efficiently utilizing organization's manpower; DV3 = Reducing the cost of managing the organization and performing work; Low IC = Organizations with low innovative culture ($\mu - 1\sigma$); Mean IC = Organizations with mean innovative culture; High IC = Organization with high innovative culture ($\mu + 1\sigma$).**

perceived performance is lower and is statistically significant for all five dependent variables.

The two-way interaction terms between participative management and innovative culture are included in Table 4, section b. We find statistically significant interaction effects in two out of the five models. Significant interaction terms show that innovative culture has significant moderating effects on the influence of participative management on perceived organizational performance (i.e., internal efficiency). Contrary to our expectations, however, positive interaction effects are not found. We only find negative interaction effects between participative management and innovative culture on DV2 and DV3 ($\beta = -0.017$, $p < 0.10$, and $\beta = -0.018$, $p < 0.10$ respectively). The negative interaction effects indicate that the effect of participative management on internal efficiency is stronger when there is a low level of innovative culture in an organization. On the other hand, when an organization has a high innovative culture, the effect of participative management on internal efficiency is weaker. Figure 2 (a and b) shows two slope plots for the two-way interaction between PM and IC. As shown in Figure 2, participative management has minimal influence on the perception of internal efficiency for an organization in a high innovative culture.

Discussion

This study examines participation-performance linkages and innovation-performance relationships in the public sector in South Korea. The results of the regression analyses on five different dependent variables strongly suggest that

both participative management and innovation positively influence perceived organizational performance. Participative management and innovativeness have positive effects on differently measured organizational performance in the public sector. This finding implies that participative management styles, such as employee involvement and teamwork, can enhance organizational performance in a public organization. Further, public employees perceive that the innovative culture in their organization increases organizational performance. Indeed, risk-taking activity and willingness to accept new practices and methods are more likely to enhance organizational performance.

Although several scholars in the business sector have identified cultural differences and their effects on the relationship between participation and organizational performance, there has been relatively little study of how participation and innovation affect organizational performance in the public sector in Asia. Most of the previous studies in public management have focused on the effects of participation and innovation on performance in the public sector in Western countries such as the United States and the United Kingdom (Kim, 2002; Salge & Vera, 2009; Walker et al., 2011). In this study, South Korean civil servants perceive that participative management and innovative culture have positive effects on perceived organizational performance. These results indicate that participative management and innovative culture have become more common in the South Korean government.[2]

Another important research question addressed in this study was whether an innovative organizational culture moderates the positive effects of participative management on perceived organizational performance. In addition to the direct effects of participative management and innovative culture, the study found interactive effects of two variables on perceived organizational performance. Although the interaction effects are statistically significant, the direction (negative) of the two-way interaction term did not support the hypothesis (Hypothesis 3). Regardless of innovative organizational culture, participative management increases organizational performance. However, the increase is much greater for an organization with a weak innovative culture than for an organization with a strong innovative culture. In other words, our finding suggests that participative management may have greater effects on perceived organizational performance when there is a low innovative organizational culture.

Why does innovative organizational culture offset the positive effects of participation on organizational performance in the South Korean government? One possible explanation for this result is that there are differences in participative decision-making across cultures. Thus, an innovative organizational culture may conflict with a participative decision-making model in South Korea. Sagie and Aycan (2003) suggested four different

approaches to employee participation according to the two cultural dimensions of individualism-collectivism and power distance: face-to-face participative decision-making, collective participative decision-making, pseudo-participative decision-making, and paternalistic participative decision-making. They argue that in societies with low individualism and high power distance (e.g., Korea and Turkey), the most common form of participation is paternalistic participative decision-making (Sagie & Aycan, 2003). In paternalistic participative decision-making, participation is limited to senior employees and the purpose is to strengthen the loyalty and compliance of subordinates. On the other hand, face-to-face participative decision-making is frequently observed in the United States, where the national culture is high on individualism and low on power distance. In face-to-face participative decision-making, individual employees participate in the process and knowledge sharing is encouraged for organizational outcomes. Although our study did not measure different forms of participative decision-making, public employees in Korea may understand the concept of participation in decision-making differently due to the different underlying cultural values (i.e., high power distance and low individualism). Thus, if South Korean civil servants perceive participation as a paternalistic relationship, a strong innovative organizational culture may not have a synergistic effect on the relationship between participative decision-making and organizational performance.

Overall, this study provides insight into organizational performance with respect to participative management and innovation. Governmental efforts to create a participative and innovative culture in an organization may enhance organizational performance. Likewise, both the private sector and the public sector can increase performance with participative management and innovation. In fact, participative management increases organizational commitment and the motivation of public employees through empowerment. Thus, enhanced organizational commitment might increase organizational performance. Therefore, participation and innovation need to be encouraged in the public sector. Also, it is important to be aware of cultural differences and how they affect the effectiveness of participative management and organizational culture. Our findings suggest that a strong innovative organizational culture does not fit with the South Korean participation style, while previous studies have shown that participative decision-making yields greater organizational performance with a strong innovative organizational culture.

This study has several limitations. First, it has a relatively small data sample. The small sample size warrants caution in the interpretation of the results and highlights the need for further research with a much larger sample. Second, the study did not distinguish the types and dimensions of participative

decision-making. Depending on its dimensions, participative decision-making can be classified as (1) forced or voluntary, (2) formal or informal, and (3) direct or indirect (Locke & Schweiger, 1979). Additionally, it can vary in degree, content, and scope. Thus, the various types of participation in combination with the aspects of degree, content, and scope can have different effects on organizational performance. Further, innovation has different effects on performance depending on its type. Thus, future research needs to consider other types of participative management and innovation. Third, this study used perceived measures of participation, innovation, and performance. The measures of independent and dependent variables are not objective measures, but subjective. This percept-percept measure can inflate the effect size, and may produce biased results (Crampton & Wagner, 1994; Wagner & Gooding, 1987). Fourth, this study is a cross-sectional study; thus the causal link between independent and dependent variables was not proven. We need to examine this issue through a longitudinal design.

The current study only considers individual-level factors. In future studies, we will strive to perform a two-level analysis that combines individual and organizational information. Since data from individuals are often nested within an organization, a two-level analysis, having secondary data related to structure, culture, and performance at the organizational level, will provide a more realistic and conservative statistical test. Finally, previous studies have found a moderator and mediator that can affect the relationship between participative management, innovation and organizational performance (Wagner & Gooding, 1987; Walker et al., 2011). Therefore, we need to include possible moderator and mediator variables to examine the effects of participation and innovation on performance in future studies. Using a moderator and a mediator, we will better understand how participation and innovation affect performance in the public sector.

Notes

1. Some dependent measures for organizational performance present relatively high correlation coefficients, and Cronbach's α between the five variables is 0.86. Although performance measure shows high internal consistency, it has low construct validity. Thus, we separately analyze the effects of participative management and innovative culture on five measures related to organizational performance.

2. Caution is necessary when we interpret this result, because it does not mean that the United States and South Korea have the same level of participative management and innovative culture.

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Appendix. Survey Measures

Perceived organizational performance[a]

(DV1 External efficiency) My organization has conducted business relations with outside customers very promptly.
(DV2 Internal efficiency) My organization has carried out work by efficiently utilizing its labor.
(DV3 Internal efficiency) My organization is trying to reduce the cost of managing the organization and performing work.
(DV4 Internal effectiveness) In the past two years, the productivity of my organization has improved.
(DV5 Internal effectiveness) Overall performance has improved.

Participative management[a]

(PM1) Employees have a feeling of personal empowerment and ownership of work processes
(PM2) Supervisors/team leaders provide employees with the opportunity to demonstrate their leadership skills
(PM3) Managers provide an environment that supports employee involvement, contributions, and teamwork

Innovative culture[a]

(IC1) Risk-taking is encouraged without fear of punishment for mistakes
(IC2) Creativity and innovation are rewarded
(IC3) Managers are receptive to change
(IC4) Employees are receptive to change
(IC5) New practices and ways of doing business are encouraged

Job satisfaction[a]

(Job satisfaction) Considering everything, how satisfied are you with your job?
(Satisfaction with organization) Considering everything, how would you rate your overall satisfaction with your organization at the present time?

Length of service: How long have you been with your current agency?
1. < 6 months 2. 6–12 months 3. 1–3 years 4. 4–5 years 5. 6–10 years 6. 11–15 years 7. 16–20 years 8. 21–25 years 9. 26–30 years 10. > 31 years

Rank: What is your grade?
1 (Grade 1)–10 (Grade 10)[b]

Age: What is your age group?
1. ≤ 20 2. 20 s 3. 30 s 4. 40 s 5. 50 s 6. ≥ 60

Gender: Are you male or female?
Male (1), Female (0)

Notes: [a]Survey items were measured on a 5-point Likert scale (strongly disagree, disagree, neutral, agree, strongly agree); [b]Grade 1 is the highest level in the South Korean public servant ranking system.