

Fostering Innovation Leadership Culture and Balanced Scorecard Performance in Life Insurance Agencies: Insights from Malaysia

Tun Norasida Aziz, Nor Adilla Tajarahim, Norfarah Syahirah
Mohd Fadzilah

Faculty Accountancy, Finance and Business, Tunku Abdul Rahman University Management
and Technology (TAR UMT), Pahang Branch 25200 Kuantan, Pahang, Malaysia

Tun Mohd Firdaus Azis

Fakulti Sains Gunaan, Universiti Teknologi MARA, Cawangan Perlis, Kampus Arau 02600
Arau, Perlis, Malaysia

To Link this Article: <http://dx.doi.org/10.6007/IJARBS/v14-i9/22792>

DOI:10.6007/IJARBS/v14-i9/22792

Published Date: 01 September 2024

Abstract

This study investigates the relationship between effectiveness of innovation leadership culture on balanced scorecard performance in life insurance companies in Malaysia. Innovation leadership culture refers to the organizational ethos that promotes and sustains innovation through leadership practices, while BSC performance represents the holistic measurement of organizational success across financial, customer, internal business process, and learning and growth perspectives. Drawing on a review of existing literature and empirical data analysis, this research examines how innovation leadership culture influences various dimensions of BSC performance. This research uses quantitative analysis. The population of the research is among agencies sales manager in life insurance companies that register under LIAM. The findings highlight the critical role of innovation leadership culture in fostering organizational innovation and its subsequent impact on BSC performance. The results contribute to both theoretical understanding and practical implications for organizations seeking to enhance their innovation capabilities and improve performance measurement through the Balanced Scorecard framework.

Keywords: Innovation Leadership Culture, Balanced Scorecard Performance.

Introduction

Creating an innovation leadership culture requires ongoing commitment and effort from leaders at all levels of an organization. It involves modelling the desired behaviours, providing support and resources, and fostering an environment that encourages creativity, collaboration, and experimentation (Srisathan et al., 2020; Wang et al., 2021). By nurturing

an innovation leadership culture, organizations can stay competitive, adapt to change, and drive sustainable growth in today's dynamic business landscape and finally can boost the performance of the firm itself.

Numerous academics concurred that innovation affects business effectiveness (Srisathan et al., 2020; Thanh et al., 2022, Muharam et al., 2020; YuSheng & Ibrahim, 2020). Scholars and practitioners have taken notice of this issue since it is a fundamental source of competitive advantage. The success of the organization's operations was attributed to its capacity to innovate in several areas (Tidd et al., 2005). To make the improvement of the firm, the innovator/ manager play a crucial task should look for methods to easily and successfully manage their position by valuing their intangible assets.

Assessing intangible assets is quite challenging (Gazi et al., 2022). Because they are harder for rivals to copy, intangible assets contribute to a long-term competitive advantage. Companies place a higher value on intangible assets than tangible ones, such as corporate culture, IT systems, and employee competencies (Kaplan et al., 2004). However, it is impossible to quantify innovative leadership culture directly due to its elusive nature.

Innovation Leadership Culture

Innovation leadership culture refers to the set of values, beliefs, and behaviors within an organization that fosters and supports innovation. It's a crucial aspect of organizational development in today's dynamic and competitive business environment. A culture of innovation is essential for organizations looking to stay ahead, adapt to change, and create a sustainable future. Innovation is the process by which a company assesses its internal procedures in order to adjust to modifications pertaining to new services, policies, products, systems, devices, or processes (Calantone et al., 2002; Fu, 2022). Furthermore, in 21st-century organizations, innovation is the use of creative ideas as one of the primary determinants for competitive advantage and a determinant of an organization's success (Cascio & Aguinis, 2008). Therefore, the ability of an organization to act in allocating resources in the new capacity to generate value is the definition of innovation. The ability of organizations to create and produce innovation is a critical factor in determining their success in all endeavors (Saunila & Ukko, 2012). To put it another way, a successful organization needs to be made up of a large number of innovators—people with a variety of skills who can combine creativity and originality to create new ideas.

According to Rogers (1995), innovators are people, and innovation leaders are change agents that bring fresh perspectives into the workplace by fostering an environment that encourages creativity and addresses progress (Basadur, 2004). Khairuddin et al. (2021) also stated that Innovative leaders take risks and promote originality; as a result, they improve the organization's innovative ambidexterity, which boosts project creativity. Innovation leaders are therefore visionaries and creative thinkers who can generate original ideas and, more importantly, inspire people around them to bring those ideas to life.

In the meantime, leadership is thought to have an impact on how internal processes are carried out in a company. It serves as a platform for accomplishing goals and has an impact on collaborative work styles, information sharing, and the assignment of tasks and skills. A logically founded reality needs to be addressed by leadership. Participants experience leadership within the framework of a leader-follower dynamic (Newman & Chaharbaghi, 2000). In this situation, bilateral connections should serve as the foundation for leadership.

These topics' relationships are fostered historically and culturally. It follows that rather than being an individual emphasis, leadership is the patterned sequential behavior of leaders and constituents who work together to construct an interactional system (Müller & Raich, 2005). Ultimately, innovation leadership, often referred to as leaders in innovation, focuses more on how to establish an innovative workplace where staff members can disseminate creative ideas for new services or goods with the help of a strong innovation culture (Rafidah Syariff MFuad, Musa, & Hashim, 2020). It reflects the role that managers play in creating an environment within the company that fosters innovation as well as the behavior of managers themselves. It is important for managers to provide employees with ample opportunities for their endeavors in order to enhance their capacity for innovation and prosperity. It is imperative for managers to provide robust backing for innovative ideas and forward them to upper management (cf-(Saunila, 2014). When employees feel that their efforts are valued, they are motivated to develop innovative products. Employee commitment to developing innovative potential is bolstered by this kind of innovation leadership culture, which also immediately improves business performance.

Balanced Scorecard Performance

A strategic performance management tool that offers a balanced perspective of an organization's performance across several aspects is the balanced scorecard. It goes beyond traditional financial measures and incorporates non-financial indicators to assess various aspects of the organization's operations. The balanced scorecard typically includes four perspectives which is Financial Perspective; measure financial performance indicators such as return on investment, profitability, and revenue growth, the customer's perspective assesses variables linked to market share, customer happiness, and loyalty. The last perspective, called the Learning and Growth Perspective, evaluates the organization's capacity to develop and improve its infrastructure, technology, and human capital. It centers on the efficiency and effectiveness of internal processes that are essential to providing value to customers (Kaplan et al., 2004). By using the balanced scorecard, organizations can obtain a comprehensive understanding of their performance and pinpoint areas in which they might improve in a variety of ways.

Based on the interpretation and practice of the majority of businesses, including those in Malaysia's insurance sector, have employed the balanced scorecard to assist a range of strategic organizational objectives. The Life Insurance and Family Takaful Framework (LIFE Framework), which was developed by the life insurance and family takaful industries in Malaysia, will have a big impact on the business landscape going forward. (LIAM), 2016). According to LIAM, the LIFE Framework aims to support corporate growth and economic development while providing customers with a value proposition. The implementation of the Balanced Scorecard (BSC) was determined in collaboration with the Malaysian Takaful Association of Malaysia Life Insurance Fieldforce and Advisers (NAMLIFA) as a crucial strategy to strengthen advertising practices and as the foundation for compensating intermediaries. BSC also aimed to raise the standard of customer service and elevate customer professionalism. As a result, using a balanced scorecard methodology can help measure the company's success using both non-financial and financial metrics in a more balanced way.

In addition, a participatory leadership culture can positively influence an organization's balanced scorecard performance by fostering employee engagement, innovation, and alignment. Uchenwamgbe, B. (2013) said that a participative leadership style of management, in which employers and employees work together to make decisions that positively affect the

organization's growth and the provision of appropriate welfare facilities for employees, raises employee morale. Meanwhile, every organization should adopt participatory leadership style as it boosts employee morale and enhance organizational productivity (Akpoviroro, K., Kadiri, B., & Owotutu, S., 2018). As Upadhyay, A., & Palo, S. (2013) showed that the application of the balanced scorecard approach increases the organization's clarity regarding its overarching vision, strategy, and individual duties. Therefore, a participatory culture can give a positive influence to the performance especially for balanced scorecard because it measures different perspectives that will lead to improved organizational performance and long-term success.

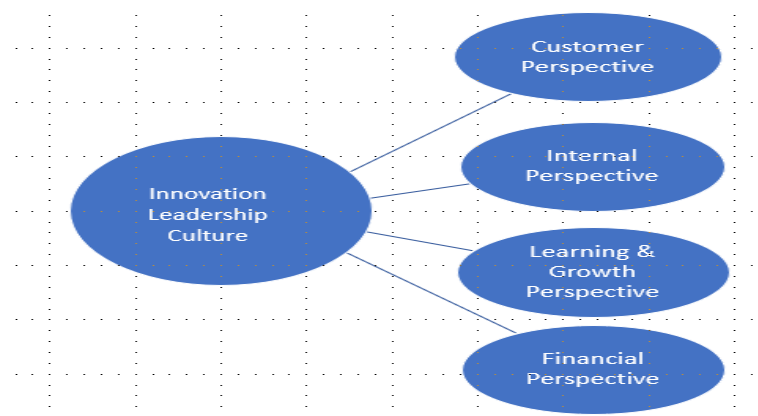


Figure 1. Theoretical model for Innovation Leadership Culture and balanced scorecard performance

The following research hypotheses were developed in light of Figure 1:

- H1: Innovation Leadership Culture (ILC) has positive effect on customer perspective performance (CP)
- H2: Innovation Leadership Culture (ILC) has positive effect on internal process perspective performance (IP)
- H3: Innovation Leadership Culture (ILC) has positive effect on learning and growth perspective performance (LGP)
- H4: Innovation Leadership Culture (ILC) has positive effect on financial perspective performance (FP)

Methodology

According to Bryman (2004), research design refers to the plan for collecting and analyzing data. In contrast, research design is defined by Sekaran and Bougie (2010) as a process of data collection and analysis that leads to a solution. This study used a cross-sectional methodology that utilizes a quantitative strategy based on logical reasoning. Additionally, a survey research method was used in this study. The research team gathered information using a blend of primary sources. Specifically, 200 sets of questionnaires were emailed via the internet to the sales manager of a life insurance business located in Malaysia. The surveys were quantitative in nature, utilizing a 5-point Likert scale and distributed via an online Whatapps survey with Google form questionnaires. Data was gathered, and Spss version 23 was used for classification.

Results

Based on the table, the Cronbach's Alpha value will be 0.758 shows that all the variables' Cronbach's Alpha value falls under the "good" category. This result indicates that the internal

consistency for the items in each construct is good and acceptable. This result can refer to the rules of thumb shows that if the cronbach’s alpha (α) is $(0.7 \leq \alpha < 0.8)$ means that their internal consistency is good (Hair et al.,2016).

Table 1
Reliability Statistics

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.758	.770	15

The route correlations between balanced scorecard performance and innovation leadership culture are shown in Table 2. All of the dimensions had a positive, albeit mild, impact on balanced scorecard performance, according to the results of path correlations, with the exception of the moderately to strongly positive association between innovative leadership culture and customer viewpoint.

Table 2
Correlations

Correlations						
		TILC	TCP	TIP	TLGP	TFP
TILC	Pearson Correlation	1	.403**	.184**	.272**	.237**

According to the Table 3 shows that path correlation between innovation leadership culture and financial performance in positive relationship but in weak strength. Meanwhile, path correlations between innovation leadership culture and non-financial performance indicate in positive relationship and moderate/ good strength. According to Ratner (2009) rules of thumbs stated that A weak positive (negative) linear relationship is shown by values between 0 and 0.3 (0 and -0.3) and a moderate positive (negative) linear relationship is indicated by values between 0.3 and 0.7 (0.3 and -0.7) between the variables.

Table 3
Correlations

Correlations				
		TILC	TNF	TFP
TILC	Pearson Correlation	1	.370**	.237**

** . Correlation is significant at the 0.01 level (2-tailed).

Based on the examination of path correlations, the researcher can determine that all theories have been approved. Table 4 displays the outcomes of testing hypotheses.

Table 4

Results of Hypotheses Testing

Independent variable (IV)	Dependent variable (DV)	Result
Innovation Leadership Culture (ILC)	Customer Perspective (CP)	H1: Accepted
	Internal Processes Perspective (IP)	H2: Accepted
	Learning & Growth Perspective (LGP)	H3: Accepted
	Financial Perspective (FP)	H4: Accepted

Discussion and Conclusion

From this analysis, we can summarize that the effectiveness of agencies in involve innovation leadership culture in their agencies can give a good relationship with customer perspective. An innovation leadership culture can have a moderate positive relationship on the customer perspective by fostering employee engagement, promoting innovation, emphasizing a customer-centric focus, improving communication, and contributing to organizational agility. These factors collectively contribute to a better overall customer experience and can enhance customer satisfaction and loyalty. These factors collectively contribute to a better overall customer experience and can enhance customer satisfaction and loyalty.

Other finding from this data also stated that innovation leadership culture gives a moderate positive relationship with non-financial performance. The relationship between innovation leadership culture and non-financial performance is significant and can influence various aspects of an organization's overall effectiveness. As an innovation leadership culture can positively impact non-financial performance indicators across various dimensions, including product and service quality, customer satisfaction, agents' engagement, market competitiveness, operational efficiency, adaptability to change, agents' retention and attraction, brand image, reputation, and environmental and social impact. While financial metrics are essential, these non-financial factors contribute significantly to the overall health and sustainability of an organization.

The objective of this study was to estimate the relationship of the effectiveness of innovation leadership culture on balanced scorecard performance in life insurance companies in Malaysia. The study's empirical findings demonstrated that implementing an innovative leadership culture give a moderate positive relationship on balanced scorecard performance especially in customer perspective under non-financial performance of life insurance industry in Malaysia. The findings of the study can give the benefits to practitioners, life insurers and top level of managers to understand the important to nurture innovation leadership culture in their agencies that can give a good relationship on balanced scorecard performance in general. This study also has some limitations for example; in this study use quantitative method and the data collection for the year 2020. Therefore, the findings of the study may not be applicable in current situation. The researcher would like to suggest to the future researchers to change the research methodology from quantitative method to other method such as mixed method and try to obtain the latest data collection for more accurate results.

Acknowledgement

I would like to acknowledge the support provided by my team members and Tunku Abdul Rahman University of Management and Technology (TAR UMT) Pahang Branch for their effort and helped me to finish this article report.

Corresponding Author

Tun Norasida Aziz,

Faculty Accountancy, Finance and Business, Tunku Abdul Rahman University Management and Technology (TAR UMT), Pahang Branch 25200 Kuantan, Pahang, Malaysia
tunnorasida@tarc.edu.my

Nor Adilla Tajarahim,

Faculty Accountancy, Finance and Business, Tunku Abdul Rahman University Management and Technology (TAR UMT), Pahang Branch 25200 Kuantan, Pahang, Malaysia
noradilla@tarc.edu.my

Norfarah Syahirah Mohd Fadzilah

Faculty Accountancy, Finance and Business, Tunku Abdul Rahman University Management and Technology (TAR UMT), Pahang Branch 25200 Kuantan, Pahang, Malaysia
norfarah@tarc.edu.my

Tun Mohd Firdaus Azis

Fakulti Sains Gunaan, Universiti Teknologi MARA, Cawangan Perlis, Kampus Arau 02600 Arau, Perlis, Malaysia
tunmohdfirdausbinazis@gmail.com

References

- Basadur, M. (2004). Leading others to think innovatively together: Creative leadership. *Leadership Quarterly*, 15(1), 103–121. <https://doi.org/10.1016/j.leaqua.2003.12.007>
- Calantone, R., Cavusgil, S., & Zhao, Y. (2002). Learning orientation, firm innovation capability, and firm performance. *Industrial Marketing Management*, 31, 515–524. [https://doi.org/10.1016/S0019-8501\(01\)00203-6](https://doi.org/10.1016/S0019-8501(01)00203-6)
- Cascio, W. F., & Aguinis, H. (2008). Staffing Twenty-first-century Organizations. *The Academy of Management Annals*, 2(1), 133–165. <https://doi.org/10.1080/19416520802211461>
- Fu, Q. (2022). (2022). *How Innovation Is Created: A Conceptual Framework From a Knowledge-based View*.
- Gazi, F., Atan, T., & Kılıç, M. (2022). The Assessment of Internal Indicators on The Balanced Scorecard Measures of Sustainability. *Sustainability (Switzerland)*, 14(14). <https://doi.org/10.3390/su14148595>
- Kaplan, R. S., Norton, D. P., Beer, M., Eisenstat, R. A., Bamford, J., Ernst, D., Fubini, D. G., Nash, L., & Stevenson, H. (2004). *Measuring the Strategic Readiness of Intangible Assets Launching a World-Class Joint Venture*. www.bscol.com
- Khairuddin, S. M. H. S., Haider, S. A., Tehseen, S., & Iqbal, S. (2021). Creativity in construction project through entrepreneurial leadership, innovative ambidexterity and collaborative culture. *Advances in Mathematics: Scientific Journal*, 10(3), 1529–1546. <https://doi.org/10.37418/amsj.10.3.38>
- (LIAM), L. I. A. of M. (2016). *Annual Report 2015*.

- Muharam, H., Andria, F., & Tosida, E. T. (2020). Effect of process innovation and market innovation on financial performance with moderating role of disruptive technology. *Systematic Reviews in Pharmacy*, 11(1), 223–232. <https://doi.org/10.5530/srp.2020.1.29>
- Müller, C., & Raich, M. (2005). The ambiguous relationship of leadership and intellectual capital: understanding how intellectual capital is developed. *EJ Know. Manage*, 3(1), 35–44.
- Newman, V., & Chaharbaghi, K. (2000). The study and practice of leadership. *Journal of Knowledge Management*, 4(1), 64–73.
- Ratner, B. (2009). The correlation coefficient: Its values range between 1/1, or do they. *Journal of Targeting, Measurement and Analysis for Marketing*, 17(2), 139–142. <https://doi.org/10.1057/jt.2009.5>
- Rogers, E. M. (1995). The Diffusion of Innovations. In T. F. P. N. York (Ed.), *The Economics of Research and Technology* (Fourth Ed.). <https://doi.org/10.4324/9781351163804-8>
- Saunila, M. (2014). *Performance management through Innovation capability in SMEs*.
- Saunila, M., & Ukko, J. (2012). A conceptual framework for the measurement of innovation capability and its effects. *Baltic Journal of Management*, 7(4), 355–375. <https://doi.org/10.1108/17465261211272139>
- Srisathan, W. A., Ketkaew, C., & Naruetharadhol, P. (2020). The intervention of organizational sustainability in the effect of organizational culture on open innovation performance: A case of thai and chinese SMEs. *Cogent Business and Management*, 7(1). <https://doi.org/10.1080/23311975.2020.1717408>
- Thanh, N. D., Sam, N. T., Phương, T. T. M., Nhung, N. T. C., & Chi, C. D. (2022). Effects of an Inclusive Leadership Style on Team Performance: The Significance of Promoting Team Innovation Culture in Hanoi-based Software Outsourcing Firms. *VNU JOURNAL OF ECONOMICS AND BUSINESS*, 2(3). <https://doi.org/10.25073/2588-1108/vnueab.4717>
- Tidd, J., Bessant, J., & Pavitt, K. (2005). *Managing Innovation: Integrating technological, market and organizational change*.
- Wang, Y., Farag, H., & Ahmad, W. (2021). Corporate Culture and Innovation: A Tale from an Emerging Market. *British Journal of Management*, 32(4), 1121–1140. <https://doi.org/10.1111/1467-8551.12478>
- YuSheng, K., & Ibrahim, M. (2020). Innovation Capabilities, Innovation Types, and Firm Performance: Evidence From the Banking Sector of Ghana. *SAGE Open*, 10(2). <https://doi.org/10.1177/2158244020920892>