

THE EFFECT OF MANAGEMENT STRATEGIC ORIENTATION ON INNOVATIONS: A CONCEPTUAL FRAMEWORK

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Abstract

The study proposes that employees' innovative behaviour in the workplace does not always translate into a significant innovation at the organizational level. A review of innovation literature suggests that management strategic orientation significantly influences the utilization of individual innovative behaviour into organizational outcomes. Among such management orientations, the most critical are the imitation orientation and risk aversive orientation towards innovations. The study also identifies four antecedent factors that stimulate innovative behaviours in employees including harmonious passion, perceived autonomy support, perceived peers' expectations and psychological contract fulfillment, formulating a holistic framework to explain individual and organizational innovativeness. This study contributes to innovation literature by explaining the dynamics of why firms fail to bring innovations in products and services even after evoking the individual innovative behaviour in the workplace?

Keywords: Innovative Behaviour, Imitation Orientation, Risk Aversion, Harmonious Passion, Autonomy Support, Peer Expectations, Psychological Contract.

JEL Classification: M000

Introduction

The flat-out revolution in technological environment calls for efforts to minimize the adverse effect of competition over organization by enacting advanced and distinctive ways of production through innovations (Leifer et al., 2000), which in turn bring new domains, new paradigms and create a potential for major changes (Norman & Verganti, 2014). Keeping in view these facts, businesses pay greater attention to promoting innovations in the organization. Despite of all these efforts, surprisingly,

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directed towards radical innovation fall short of basics (BCG, 2014) and remain deprived of materializing such innovations (Takayama et al., 2002).

Why firms fail to bring innovations? Business environment always remains unpredictable. The effects of unanticipated situations are more indestructible on radical innovation than on incremental innovation projects (Alexander & Knippenberg, 2014). Management often resists implementing ideas that are innovative, believing that an innovation can adversely affect the destiny of their company (Foster, 1986) by damaging previous products or processes. For instance, in 2004, senior management at Nokia Company rejected the proposal from researchers to introduce a large touch-screen smart phone that can be operated when connected to internet, thinking that the risks of failure does not warrant the cost of failure. Later on, in 2007, Apple Company introduced the iPhone with same features that Nokia's managers opted not to pursue. Statistics show that this decision cost Nokia a fall of share in the US smart phones market from 35% in 2002 to 8% in 2010 (Denning, 2010). This attitude on the part of management is becoming an increasing phenomenon particularly in developing countries where many large companies, in spite of having huge investments and resources, are hostage to a few giants who pioneer and control the market. With such risk averse orientation, adoption of imitative strategies becomes a natural response to environmental uncertainty (Lieberman & Asaba, 2006) and management increasingly develop imitative attitude. Employees often become the victim of these strategies. They are forced to adopt whole or part of the competitors' practices even after having the capabilities of bringing and implementing new ideas. Innovative employees, if given opportunity, can change the direction of a business and destine it to the heights of success but the excessive focus of management on competitors and resistance to new ideas and practices may result in failure of a firm to come up with some breakthrough (Lewrick, Omar & Williams, 2011). Mainemelis (2010) argued that employees generate novel ideas but managers stop them from working on those ideas. Dewar, Dutton (1986) and Damapur (1991) found management strategies and attitudes as the most important factors that influence organizational innovativeness. But the evidence of how and why these attitudes and strategies influence organizational innovativeness is understudied.

This paper is an attempt to organize various psychological antecedents such as employees' harmonious passion, perceived autonomy support, perceived peers' innovation expectations and psychological contract that shape individual innovative behaviour which may be further translated into organizational innovativeness. It takes firms' imitation orientation and risk averse orientation as management strategic orientations, which may influence organizational innovativeness by adversely affecting conversion of individual innovative behaviour into organizational innovativeness. Specifically, it is proposed that employees in an organization generate innovative ideas to achieve desired psychological outcomes but the management strategic orientation in the form of imitation orientation and risk averse orientation restrains them from working on and implementing the idea. Most of the previous researches remained focused on determining the factors that may stimulate individual innovative behaviour and organizational innovativeness. Unfortunately, despite the extensive contemporary moves in innovation literature, research on the dynamics of why firms fail to bring innovations

even after eliciting the individual innovative behaviour, continues to be limited and disparate.

A Holistic Framework for Individual Innovative Behaviour

Innovativeness is attributed to willingness to take risks, resources for creativity, and career commitment (Madjar, Greenberg & Chen, 2011). It is a multi-dimensional composite variable composed of radical-ness, relative advantage and adoption (Nystrom, Ramamurthy & Wilson, 2002). Rogers (1983) in his theory 'Diffusion of Innovation', demonstrated that the adoption can be categorized into two sub-processes, imitation and differentiation. Drawing from Roger, the organizations who have high degree of innovativeness try to remain different through radical innovation whereas the followers carry out imitation of adoption. Recent advances in innovation literature describe two levels of innovation, radical (distinctive ideas not existing in competitors) and incremental (adaptations in adoption), along a continuum whereas imitation (perfect copy or adoption of competitor's idea) is expressed on the opposite pole of radical innovation (Jenkins, 2014).

It is widely accepted that successful change in an organizational process can be brought up through engaging the employees in the process of innovativeness (Ramamoorthy et al., 2005). Organizational performance is affected positively by the existence of innovative work behavior among employees because it ensures effective business processes (Janssen, 2001). Individual Innovative behaviour is defined as the intentional introduction or implementation of new ideas, products, processes and procedures by an individual to his or her work role (West & Farr, 1990, 1989). Organizational innovativeness refers to an organization's receptivity and inclination to adopt new ideas that lead to the development and launch of new products (Hurley & Hult, 1998). It indirectly affects firm's value by having an impact on its market and financial position. Discerning the critical role of employees' innovative behaviours for organizational sustainability, a greater effort has been emerged in innovation literature to uncover the factors that foster such behaviours (Agarwal, 2014). Building on the above conceptualization it is proposed that:

Proposition 1: The more the individual innovative behaviour, the more the organizational innovativeness will be.

Harmonious Passion

Passion is defined by Vallerand et al. (2003) as a strong inclination toward an activity that people like, that they find important, and in which they invest time and energy. It provides individuals a motive and an urge to do something that they find most involved in. Vallerand et al. (2003) conceived a dualistic model of passion on the basis of internalization of activity into one's identity. According to which, passion can be categorized into two i.e. obsessive passion and harmonious passion. Obsessive passion is the controlled internalization of activity into one's self and usually results in conflict with other activities on discontinuation. On the contrary, Harmonious passion is an autonomous internalization of activity into one's identity. Keeping with autonomy perspective of

self-determination theory, harmonious passion equips an individual with an opportunity to perform an activity autonomously in such a way that it becomes a part of his/her identity allowing him to get fully involved in the passionate and other life activities with openness that ensures positive experiences (Hodgins & Knee, 2002). Since such activity integrates into one's identity and is enjoyable, therefore, individuals find him/her enthusiastic to experiment with it and bring new ways of doing it. Harmonious passion positively affects employees' job satisfaction (Vallerand, 2003) generating a positive inner environment among them which in turn puts a positive effect on innovative work behaviour (Bysted, 2013). Over a decade, the researchers investigated and found that harmonious passion induces deliberate practice and leads to subjective well being and performance attainment (Vallerand et al., 2007). When individuals find no contextual driving force for innovation, the personality characteristics such as need for cognition come into picture and provide a motivation for engaging in innovative activities (Wu, Parker & De Jong, 2014). Harmonious passion leads to such positive affective, cognitive, behavioural and relational outcomes (Stoeber et al., 2011). Accordingly, it is proposed that:

Proposition 2: The more the harmonious passion among employees, the more the individual innovative behaviour will be.

Perceived Autonomy Support

Innovative tasks require a great deal of effort and change in the organizational processes. Individuals may feel reluctant to get approval for innovative ideas that may require substantial change in the existing products, services or processes because of a risk of failure attached to it and resulting vituperation. In such situation work environment autonomy plays significant role in improving one's creativity (Amabile, 1996). Employee-supervisor relationship has been found very crucial in the studies of internalization of innovative activities (Zhao, Kessel, & Kratzer, 2014). Keeping with self identity and autonomy desire from self determination theory, when employees perceive that their supervisor acknowledges their perspectives, offers choice and encourages self-initiation (Deci, Connell & Ryan, 1989), they find themselves secure and engage in innovative behaviour. Perry-Smith and Mannucci (2015) proposed that constructive feedback for improving new idea that help the creator to grow and develop in the workplace is perceived as supportive and enhance the intrinsic motivation of employees to be creative, as contradictory to controlling feedback which greatly undermines the innovative abilities. Based on the above conceptualization it is proposed that:

Proposition 3: The more the employees perceive autonomy support for innovation in workplace, the more individual innovative behaviour will be.

Peers' Innovation Expectations

The social identity perspective of identity theory suggests that societal role sets up expectations as to what constitutes role-appropriate behaviour and resulting performance of such behaviour then serves to authenticate a person's self-concept (Callero, 1985). Earlier studies have shown that creativity expectations of others are relevant for employees' creative performance (Shalley, 2008).

Consistent with social identity and relatedness perspective of self determination theory, when employees perceive that others in the organization expect innovative ideas from them, they logically think that they must be good at innovative tasks, and by the time, the employees would engage more in innovative behaviour. Drawing from impression management literature, individuals tend to be consistent with the expectations of various actors in the organization to avoid any conflicts with coworkers (Janssen, Vliert, & West, 2004) and to develop a positive image among them. Individuals are more likely to invest their time and energy in innovative behaviour when they believe that they are expected to engage in such behaviour (Hammond et al., 2011) therefore peers' innovation expectations are an important predictor of individual innovative behaviour. Ma Prieto and Pilar Perez-Santana (2014) studied the role of high-involvement human resource practices in the innovative work behaviour of employees and found significant mediating effect of co-workers' expectation. Built on the above evidences it is proposed that:

Proposition 4: The more the employees perceive that their coworkers expect them to bring and implement new ideas, the more the individual innovative behaviour will be.

Psychological Contract Fulfillment

Psychological contract is the employee's perception of beliefs about reciprocal obligations between employees and management (Rousseau, 1989). These perceptions, accurate or not, have been proved influential for employees' job satisfaction, trust, loyalty, sense of obligation, and performance (Robinson, 1996). Psychological contracts reduce individual uncertainty and increase job security by establishing agree upon employment conditions (Shore & Tetrick, 1994) thus encouraging employees to test their abilities and enhance their self-identity in the organization by practicing innovative activities. Agarwal (2014) found that psychological contract fulfilment increases trust and work engagement among employees which in turn significantly influence individual innovative behaviour in the positive direction. Drawing from social exchange theory, employees may reciprocate negative treatment from the management in the form of reduced innovative behaviour (Ng, Feldman & Lam, 2010). These negative treatments may be in response to economic downturns or industry competition (Arshad & Sparrow, 2010). On the contrary the employees who experience high levels of instrumental resources, such as links with significant others in the organization and increased organizational value, are more likely to engage in their work for acquiring more resources by innovating in their work roles (Kiazad, Seibert, & Kraimer, 2014). The above evidences indicate that psychological contract fulfilment significantly effects individual innovative behaviour:

Proposition 5: The more the employees perceive that their management is fulfilling the psychological contract, the more the individual innovative behaviour will be.

Based on the above conceptualization, a holistic framework for individual innovative behaviour is given in figure 1.

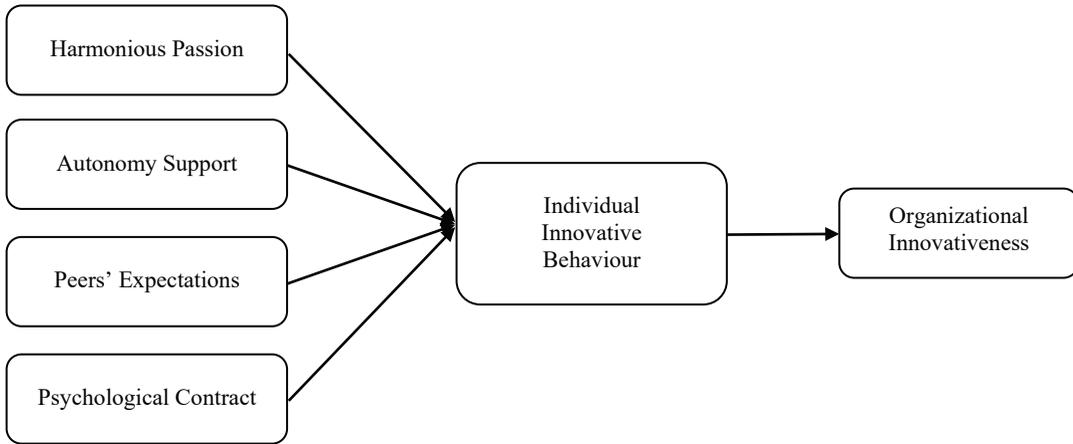


Figure 1: Holistic Framework for Individual Innovative Behaviour

Effect of Management Strategic Orientation on Innovations

The manner, in which a firm is organized, may significantly affect its innovation performance (Damanpour, 1991). Previous studies in strategic management literature, have conceptualized numerous types of strategic orientations at the disposal of a firm that may influence firms' innovations. For example, Zhou et al. (2005) found firms' market orientation favoring the technology-based innovations and adversary to the market-based innovations. Tajeddini (2010) conducted a study in hotel industry and found significant positive relationship between entrepreneurial orientation and innovativeness. Lewrick, Omar and Williams (2011) found competitor orientation, as a component of market orientation, counter-productive for radical innovations. However, despite the numerous advances in literature documenting the types of firms' strategic orientations and the resulting effects on firms' innovations, the moderating effect of management's imitation orientation and risk averse orientation on the relationship between individual innovative behaviour and organizational innovativeness appears to have been overlooked. Mainemelis (2010) proposed that management stops employees from working on new ideas they have generated but did not investigate the possible factors that may cause such behaviour of management.

Management Imitation Orientation

Firms can endure their market position through a cascade of innovations (Rubera & Kirca, 2012). But the development of innovative products represents significantly greater risk and uncertainty because of substantial investments in new technologies or markets (Alexander & Knippenberg,

2014). Companies often attempt to overcome these costs and prefer to follow competitors' ideas and technological practices (Naranjo-Valencia, Jiménez-Jiménez & Sanz-Valle, 2011). The extant literature has shown a remarkable shift in the views regarding organizational imitation orientation. The emerging literature suggests strategic integration of innovative and imitative practices in order to achieve above average profits and therefore imitation is increasingly considered on par with innovation as an alternative strategic option for successful business performance (Najda-Janoszka, 2014). This advancement is a true reflection of the notion asserted by Amabile in 1998, saying, "creativity is undermined unintentionally every day in work environments that were established- for entirely good reasons- to maximize business imperatives such as coordination, productivity and control." This study proposes that excessive imitation orientation subjugates the employees' ability to introduce and implement innovations in processes, products and services and ultimately adversely affects organizational innovativeness:

Proposition 6: Management imitation orientation moderates the relationship between individual innovative behaviour and organizational innovativeness so that for any given degree of individual innovative behaviour the management imitation orientation will regulate the rate of organizational innovativeness.

Management Risk Aversive Orientation

Novelty is the core characteristic of innovations and implies significantly greater risk as compared to routine performance or mere adoptions. Statistics show that 40% of the innovative products fail (Castellion & Markham, 2013) whereas the success rate in developing countries is only 2% (Ozer, 2006). In such situations risk taking by implementing new ideas seems tough decision, whereas excessive risk management can badly discourage radical ideas (Bowers & Khorakian, 2014). The impact of risk aversion on adoption decisions is well documented (Wossen, Berger, & Di Falco, 2015). The link between managerial support and creativity has been well established in the previous studies (Shalley & Gilson, 2004). Resistance to innovation by managers is a critical barrier that obstructs the positive actions of creative members of the organization (Fischer & Rohde, 2013). Research have shown that risk averse decision makers choose the certain or low risk alternative whereas risk seeking decision makers go for the high risk alternative (Wullenweber, 2007). As a result they sacrifice some of the expected returns that could have been attained through innovation (March & Shapira, 1987). Depending on the context, there are equal probabilities of success and failure in going first (Suarez & Lanzolla, 2007). So, first mover advantage not necessarily turns to competitive advantage (Boulding & Christen, 2008) therefore, risk averse managers often resist taking the chance of failure. Fischer and Rohde (2013) examined that management may resist innovation at two levels, the resistance to idea and its approval or the resistance to the implementation of approved idea. Therefore, it is proposed that:

Proposition 7: Management risk aversive orientation moderates the relationship between individual innovative behaviour and organizational innovativeness so that for any given degree of individual innovative behaviour the management risk aversive orientation will regulate the rate of organizational innovativeness.

Based on the above conceptualization, the integrated framework of the proposed study is given in figure 2.

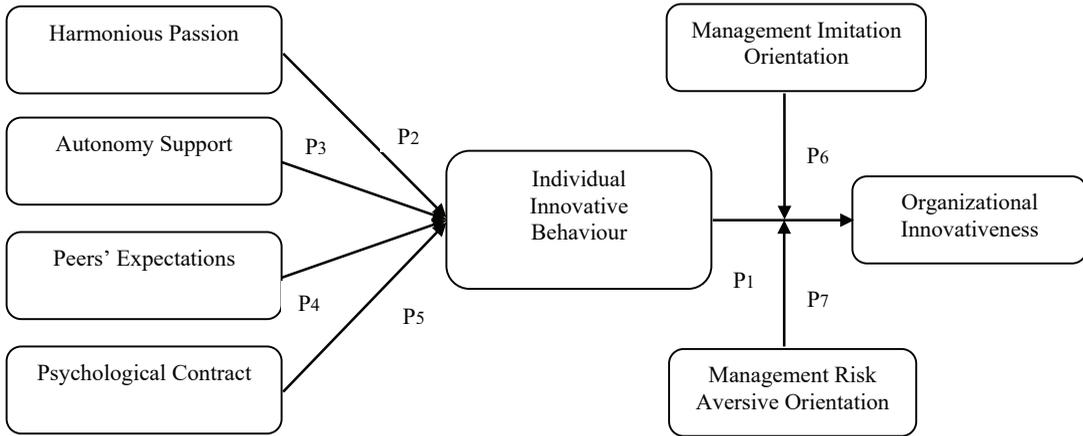


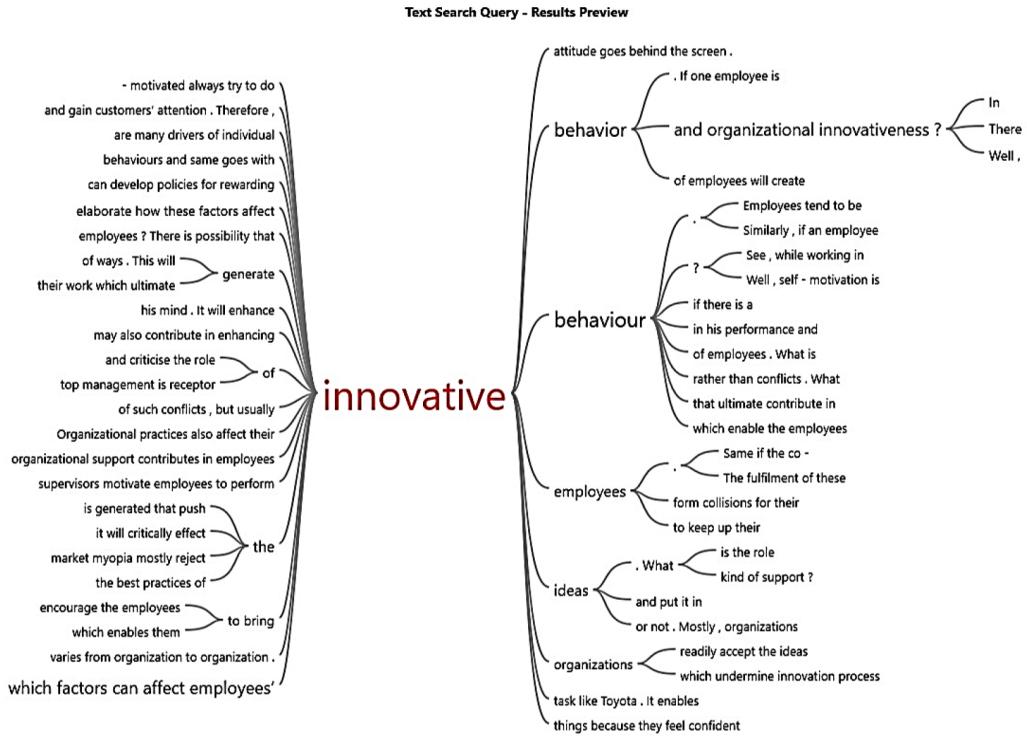
Figure 2: Integrated Theoretical Framework

Methodology

The purpose of the study was to identify the critical factors that may affect individual innovative behavior and the possible management strategic orientations that may adversely affect organizational innovativeness by hindering individual innovative behavior. The propositions were developed from the literature and then validated through semi-structured interviews conducted from professionals in service sector through audio recording method. The sample included 6 managers 2 from each of the telecommunication, banking and travelling industry.

Data Analysis

The interviews were transcribed into text form then imported into NVIVO 11 for further analysis. Different qualitative data analysis techniques were used including thematic analysis, coding of data and hierarchy chart. Figure-3 shows the Word Tag Cloud which shows different themes of the conversation according to the repetition and frequency of the words used. It is used as thematic analysis technique for identifying the theme of the study.



Results

Critical Factors Measuring Organizational Innovativeness- Hierarchy Chart

Figure 5 provides the Hierarchy Chart which represents the most critical factors measuring organizational innovativeness. The figure shows that there are 3 major factors affecting organizational innovativeness which are individual innovative behavior, management risk aversive orientation and management imitation orientation whereas creativity avoidance and resource constraints are of lesser importance. It can also be seen that Autonomy support, harmonious passion, peers' expectations and psychological contract are the most critical factors that may affect individual innovative behaviour whereas organizational culture, extrinsic interest and employees' attributes are less important. The less important factors were eliminated from the model.

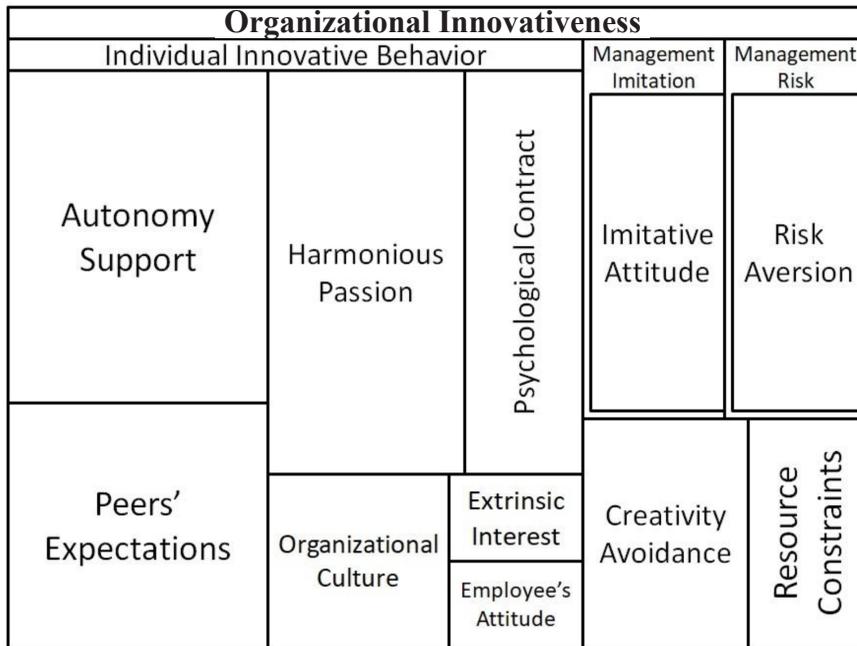


Figure 5: Hierarchy Chart

Conclusion

The importance of innovation for businesses is widely recognized and accepted. By pioneering an idea in the market, the firms will be able to develop a strong base for building competitive advantage (Jenkins, 2014). This study identifies the psychological processes that may enhance individual innovative behaviour. It also explores the management strategic orientations that can adversely affect organizational innovativeness by effecting individual innovative behaviour. It guides management to take the right decision on preferred type of risk attitude for competing in the market and effectively translating employees innovative behaviour into innovation. The idea that looks weird, sometimes become a discovery, therefore, it is suggested that overcoming these negative orientations towards innovation, organizations should adopt such strategies that may create their own markets.

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