

Organisation Climate for Innovation & Business Performance: The Mediating Effect of Technological Capability.

Dr. Ranju Katoch[#]

Assistant Professor, MIET, Jammu, J&K, India- (180001)

[#]ranjukatoch611@gmail.com

ABSTRACT

The purpose of the present study is to explore the role of Organisation Climate for Innovation and Technology Capability of an organisation on Business Performance. In business organisations, the structure of the market (competition, concentration), Technological dynamism, and market growth are considered the prominent environmental factors influencing Business Performance. The issue of improving Business Performance through Organisation Climate for Innovation and Technology Capability has not been addressed yet and an effort has been made through the present study to investigate the important aspects of Business Performance growth from Organisation climate for Innovation and Technological Capability perspective.

Keywords: Business Performance; Innovation; Organization Climate; Technological Capability.

Business Performance. Organisation Climate is the one where creativity and change are encouraged;

I. INTRODUCTION

During the last decades the environment of most companies has become increasingly dynamic and competitive due to the globalisation and internationalisation of markets. The intense competition leads to reinforced campaigns to win customers with new, unique products or services or improving market positions. The major reasons that require organisations to respond to the changes effectively are the escalating pace and volume of change, dealing with greater complexity and more intense competition (Martins, E.C. and Terblanche, F., 2003). The pursuit of Innovation and Technology developments in products, services, systems and work processes has increasingly been recognised as a critical factor for long-term organisational survival and successful Business Performance (Isaksen and Tidd, 2006).

The internal organisational environment supportive of innovation is referred to as 'organizational climate for innovation' and is crucial for organisations leveraging on innovativeness in order to create a competitive advantage and to enhance

asserting that a key aspect of managing for innovation is creating the appropriate climate so that employees can share and build upon each other's ideas and suggestions. On the other hand, Technology Capability encompasses the organisation ability to identify its technological needs and to select the technology to fulfil the needs; operate, maintain, modify and improve the selected technology; and promote learning (Tushman, M. L. and C. A. Reilly, 2002). Organisation climate for innovation and Technological Capability are widely recognised as critical factors contributing to the Business Performance, competitive advantage and sustained commercial success in the market and therefore, they have been extensively investigated from different perspectives. A relatively enduring quality of an organisations internal environment which results from the (a) behaviour and policies of members of organisation especially top management; (b) is perceived by members of the organisation; (c) serves as a basis for interpreting the

situation and (d) acts as a source of pressure for directing activity.

The present research study highlights the facts and the relevance of the Organisation climate for innovation and Technological capability in an ever growing organisation as a key strategic tools, not only for differentiation of services but also as a factor responsible for enhanced Business Performance. Innovation to occur in organisations, employee attention needs to be directed toward creating new products, processes, and services crucial to the organisations survival (Varjonen, 2009). A strong organisation Climate may act as a way of focusing employee attention and creating a collective mentality that is supportive for Innovation and further helps in building Technology Capability of the organisation and achieve successful Business Performance.

II. REVIEW OF LITERATURE

Organisation climate for innovation is good tool for implementing organisational change and achieving a competitive advantage (Rasulzada and Dackert, 2008). The combination of Organisation climate for innovation and innovation can help to both develop and maintain a competitive advantage. A study conducted by Bock, Yum, Guan, and Tam (2008) found that Organisation climate for innovation can be used to encourage Innovation, affiliation and the sharing of knowledge and Technology improvements. Most organisations need to create new products and find new, improved ways of doing business in order to remain solvent. Organisations are fighting a continuous battle to remain competitive due to intense international competition, rapid technological advances and maturing customer expectations (Montes, Moreno and Fernandez, 2004). Organisation climate for innovation allows organisations to perform effectively and stay competitive.

Organisation climate for innovation is influenced by four broad dimensions of climate, namely the nature of interpersonal relations, the nature of hierarchy, the nature of work, and management support (Rasulzada and Dackert, 2008). Every organisation has its own unique innovation Climate that influences the actions, emotions and cognitions of its employees. People are greatly affected by the climate in which they live, work and function (Schlie, T.W., 2006). Organisation climate for innovation determines employees perceptions and when these perceptions are shared by members of a specific unit or department it results in employees behaving in similar ways (Shalley, C.E. and Gilson, L.L., 2004). When individuals join an organisation they bring with them their own values, beliefs and behaviour patterns. Organisational climate serves as

an antecedent of knowledge management and therefore results in increased organisation performance outcomes (DeVellis, R. F., 2003). The model below illustrates how organisation climate foe innovation influence the behaviours and attitudes of employees and also how different organisation climate dimensions can be linked to different states and different outcomes (Organisation Performance) (Carr et al., 2003).

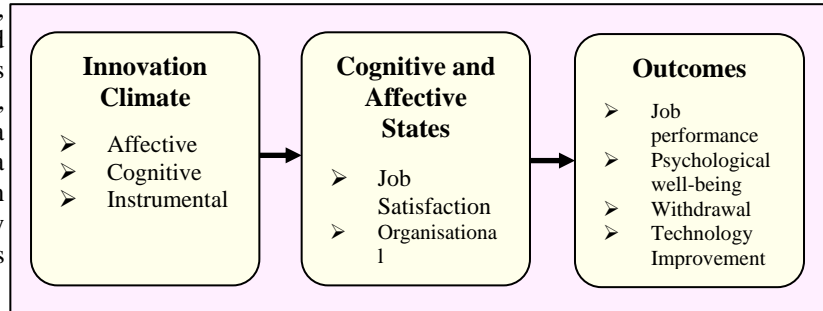


Figure (a): Model of the Relationship Between Innovation Climate, Cognitive and Affective States, and Outcomes

Technological capability can be described as knowledge and skills; technical, organisational and institutional, that allows productive enterprises to utilize equipment and information efficiently. According to Arrow K, (2006) Technological Capability can be thought of as bundles of complementary skills and knowledge which together with the organisational structures in which they are embedded, facilitate particular activities in the production system. They include knowledge which is embodied in people, codified in manuals and blue prints or embedded in organisational arrangements and procedural routines.

Technological Capability are required not only for creation of new technological knowledge, but also for its acquisition, absorption and diffusion. There

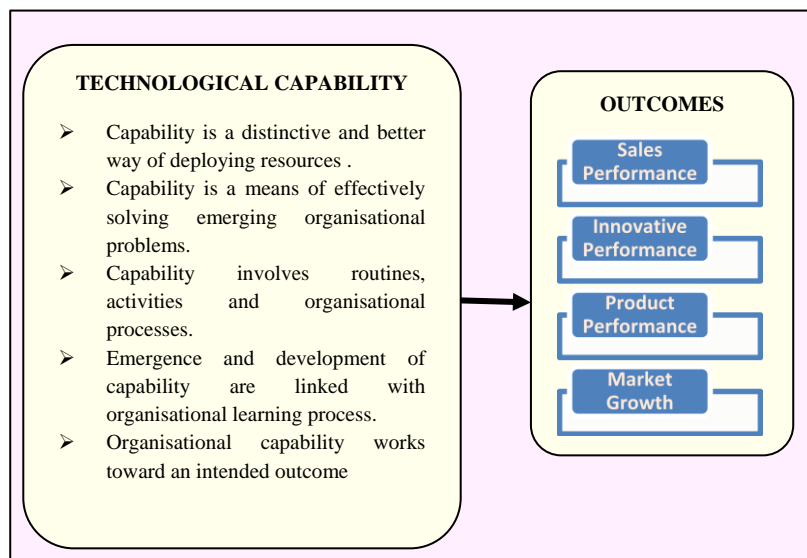


Figure (b): Relationship between Technological Capability and Business Outcomes

are (a) capability development as a situated activity; (b) capability development as an adaptive activity and (c) capability development as a deliberate agential activity. Some of the key properties emerge from the above stated explanations of Technological capability are: (a) capability is a distinctive and better way of deploying resources; (b) Capability is a means of effectively solving emerging organisational problems; (c) Capability involves routines, activities and organisational processes ; (d) emergence and development of capability are linked with organisational learning process and (e) Organisational capability works toward an intended outcome which emerged as a key element for successful Business Performance (Bischoff J., 2003).

III. ORGANISATION CLIMATE FOR INNOVATION & TECHNOLOGICAL CAPABILITY

The pace of global, economic, and technological development makes change an inevitable feature of organisational life (Andrew et al, 2010). The change, creativity innovation and technology developments have never been more topical, especially given the commercial context of fierce business competition, shorter product life cycles and more demanding customers. Increasingly, long-term commercial success is based on an ability to manage change, to nurture creativity, to promote innovation and develop capability (Andrew et al, 2010). Organisation climate and capability study is needed for any organisation who wants to be dynamic and growth-oriented or to succeed in a fast-changing competent and competitive environment.

Organisations can become dynamic and grow only through the efforts and competencies of their human resources. Personal policies can keep the morale and motivation of employees high, but these efforts are not enough to make the organisation dynamic and take it in new directions (Bischoff J. (2003). Employee capability must continuously be acquired, sharpened and used. When employees use their initiative, take risks, experiment, innovate, and make things happen, the organisation is found to have an Climate for innovation with develop capability. Martins and Terblanche (2003), Organisation Climate as an indicator of the capacity of organisations to become Innovative, i.e, the degree of support and encouragement an organisation provides its employees to take initiative and explore Innovative approaches is predicted to influence the degree of actual Innovation in that organisation. A supportive climate for Innovation effectively discriminates between best and worst performers (Isaksen and Ekvall, 2010) and effect the

technological capability of the organisation which improved and enhanced business performance.

IV. CONCLUSION: A MODEL FOR SUCCESSFUL BUSINESS PERFORMANCE VIA ORGANISATION CLIMATE & CAPABILITY (CONCEPTUALFRAMEWORK)

In this modern age, technology is the most important resource of any nation. The fierce competition situation is arising because of globalisation and privatisation and forcing the organisations across the globe to realise that their survival is not feasible in the absence of Innovative practices. The industries should invoke and gear up for initiatives to build Technology Capabilities. Competition and long-term growth and successful business performance can be achieved through Innovation Climate, efficient technology management, and technology progress. Technological developments are also occurring very rapidly (Tiwari, 2007).

Technologies are continuously changing and are a critical contributor to the turbulent markets (McMurray and Majaro, 2010). Sustainable technological capability development cannot happen without organisation climate for innovation. It is very essential for an organisation to change the way it operates and also change the products and services it provides. Technology Capability encompasses the organisation ability to identify its technological needs and to select the technology to fulfil the needs, operate, maintain, modify and improve the selected technology; and promote technical learning (Cameron and Quinn, 2006).

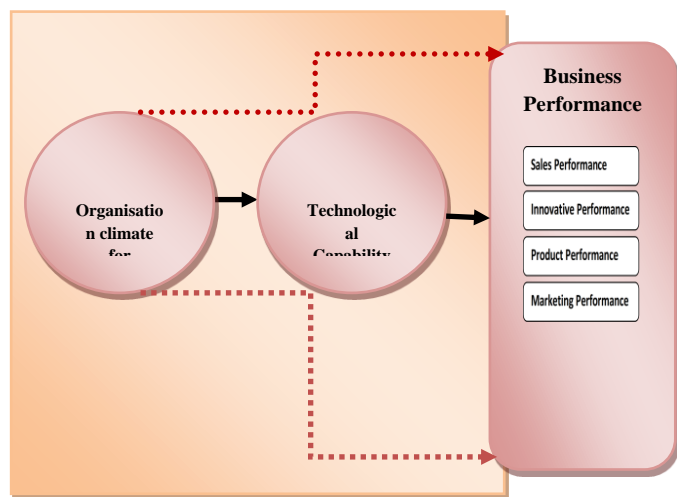


Figure (c):Effect of Innovation climate on Technological Capability and its impact on Business Performance

Organisation Climate and Technological Capability of a firm are widely recognised as critical factors contributing to the firms performance, competitive advantage and sustained commercial success in the market. The major mechanisms of developing

technological capability of a firm is organisation climate for Innovation.

The relevance of the organisation climate for innovation in an ever growing competitive market acts as a key strategic tool, not only for differentiation of services for organisations but also as a factor responsible for building Technological capability of an organisations and thus by enhancing business performance.

REFERENCES:

- [1]. Andrew, J. P., Manget, J., Michael, D. C., Taylor, A. and Zabit, H., (2010). "Innovation 2010: A Return to Prominence and the Emergence of a New World Order. Boston", MA: *The Boston Consulting Group*.
- [2]. Arrow, K. (2006). "The Economic Implications Of Learning By Doing", *Review Of Economic Studies*, 29 :155-73.
- [3]. Barsh, J., Capozzi, M. M. and Davidson, J., (2008). "Leadership and Innovation", *The McKinsey Quarterly*, Vol. 1, 37-47.
- [4]. Bischoff J. (2003) Technological Conditions And Issues In Promoting Integration Of Industrial Activities At The Regional And Global Levels: Prospects And Challenges Of Globalization And Liberalization, *Asian and Pacific Centre For Transfer Of Technology*, New Delhi.
- [5]. Cameron, K.S. and Quinn, R.E., (2006). "Diagnosing and Changing Organizational Culture", *Revised Edition edn, Jossey-Bass, CA, USA*, 302-305.
- [6]. Carr, J. Z., Schmidt, A. M., Ford, J. K., and Deshon, R. P. (2003). Climate Perceptions Matter: A Meta-Analytic Path Analysis Relating Molar Climate, Cognitive And Affective States, And Individual Level Work Outcomes. *Journal Of Applied Psychology*, 88(4), 605-619.
- [7]. DeVellis, R. F., (2003). "Factor Analysis, Scale Development Theory and Applications SAGE publications", *Applied Social Research Method Series*, 2, 26, 10-137.
- [8]. Isaksen, S.G. and Tidd, J., (2006). "Meeting the Innovation Challenge: Leadership for Transformation and Growth", *Wiley, Chichester*, 32-37.
- [9]. Martins, E.C. and Terblanche, F. (2003). "Building Organizational Culture that Stimulates Creativity and Innovation", *European Journal of Innovation Management*, Vol. 6(1), 64-74.
- [10]. McMurray and Majaro, (2010). "The Relationship Between Organizational Climate and Organizational Capabilities", *Journal of Innovation Management*, Vol. 33, 14-26.
- [11]. Rasulzada, F. and Dackert, I., (2009). "Organizational Creativity and Innovation in Relation to Psychological Well-Being and Organizational Factors", *Creativity Research Journal*, Vol. 21, 191-198.
- [12]. Schlie, T.W., (2006). "The Contribution of Technology to Competitive Advantage", in G.H. Gaynor (ed), *Handbook of Technology Management*, New York: McGraw-Hill, 112-117.
- [13]. Shalley, C.E. and Gilson, L.L., (2004). "What Leaders Need to Know: A Review of Social and Contextual Factors That can Foster or Hinder Creativity", *Journal of Leadership Quarterly*, Vol. 15, 33-53.
- [14]. Tiwari, R., Buse, S. and Herstatt, C., (2007). "Innovation via Global Route: Proposing a Reference Model for Chances and Challenges of Global Innovation Processes", *Proceedings of the Second International Conference on Management of Globally Distributed work*, Indian Institute of Management, Bangalore, 451-465.
- [15]. Tushman, M. L. and C. A. O. Reilly, (2002). "Winning Through Innovation", *HBS Press, Boston*, 127-131.
- [16]. Varjonen V., (2006). "Management of Early Phases in Innovation Process :A Case Study of Commercializing Technology in a Small Enterprise", *Masters Thesis, Helsinki University of Technology*, 194-196.
- [17]. Yam, C.M, Guan, J.C, Pun, K.F. and Tam, P.Y. (2008). "An Audit of Technological Innovation Capabilities in Chinese Firms: Some Empirical Findings in Beijing, China", *Research Policy*, 33(8), 1123-1250.