Organizational Innovativeness: Review and Synthesis of the Literature

Pradthana Leekpai, Kaedsiri Jaroenwisan
Faculty of Management Sciences, Prince of Songkla University

Abstract

Innovativeness is conceived as one of the avenue to gain a competitive advantage, it has often been shown as one of the most important strategic orientations for firm to achieve long-run success and it has a significant effect on venture performance.

This research aims to identify factors that influence the organizational innovativeness by using a literature review and documents analysis. The results of the study indicated that: 1) entrepreneurial orientation had positive effect and relationships with market orientation, learning orientation and organizational innovativeness; 2) market orientation had positive effect and relationships with learning orientation and organizational innovativeness; 3) organizational climate had positive effect and relationships with market orientation and organizational innovativeness; and 4) learning orientation had positive effect and relationships with organizational innovativeness. The finding from the study should therefore be used by administrators as a guidelines for develop organizational innovativeness in the future.

Keywords: Entrepreneurial orientation, Learning orientation, Market orientation, Organizational climate, Organizational innovativeness

Background

Due to fierce competition in the marketplace, globalization and an explosion of technology in recent years, innovation and differentiation are considered as a necessary for every company (Tajeddini & Trueman, 2008). At the same time, to achieve market success and sustain a competitive advantage, business used to exploit new opportunities, develop new products and/or services and markets (Berthon et al., 2004).

Innovation is typically an outcome-oriented measure, innovativeness measures an organization’s inclination to engage in innovative behavior (Menguc & Auh, 2006). Innovativeness is conceived as one of the avenue to gain a competitive advantage (Hult et al.,...
Innovativeness has often been shown as one of the most important strategic orientations for firms to achieve long-run success (Noble et al., 2002) and it has a significant effect on venture performance. (Rauch & Frese, 2000; Utsch & Rauch, 2000).

The objective of this study, therefore, is to construct a proposed organizational innovativeness model that links between organizational innovativeness and factors affecting on the organizational innovativeness. The findings from the study should therefore be used by administrators as a guideline for developing organizational innovativeness in the future.

**Methodology**

This paper is documentary research. Secondary data was examined in order to construct a proposed model of the linkage between organizational innovativeness and factors affecting on the organizational innovativeness.

**Results**

1. **Organizational innovativeness**

   Historically, innovation generally has been understood as the introduction of a new thing or method. Newness is the common denominator for research on innovation, whether the innovation is new to an individual adopter, a group, or an organization (Gopalakrishnan & Damanpour, 1997; Poole & Van de Ven, 2004; Poole et al., 2000).

   Innovativeness refers to a firm’s capacity to engage in innovation: that is, introduction of new processes, products, or ideas in the organization (Hult et al., 2004). In the marketing stream of research, it was referred to as a dynamic capability in initiating and developing new ideas, products, or technologies and the ease with which an organization adopts a new innovation (Becker & Whistler, 1967). In support of innovativeness as a process, Hovard and Hansen (2004) differentiated innovativeness and innovation. Whereas innovation is typically an outcome-oriented measure, such as “new product success” (Ayers et al., 1997), innovativeness captures the firm-level orientation toward innovation (Hurley & Hult, 1998). In other words, innovativeness measures an organization’s inclination to engage in innovative behavior.

   Researchers have focused on the selected dimensions of innovativeness. For example, some researchers have focused on product innovativeness (Daneels & Kleinschmidt, 2001; Schmidt & Calantone, 1998); some on process innovativeness (Alvonitis et al., 1994; Bastic
Leskovar-Spacapan, 2006); other on market innovativeness (Ali et al., 1995; Cooper, 1973); or behavior innovativeness (Hurley & Hult, 1998; Lovelace et al., 2001). Others concentrated on strategy innovativeness (Avlonitis et al., 1994; Markides, 1998). The approaches have not captured a comprehensive definition of innovativeness, however, and cannot be employed universally.

2. Entrepreneurial orientation

Entrepreneurial orientation is regarded as a critical organizational process that contributes to firm survival and performance (Dimitratos & Plakoyiannaki, 2003; Hitt et al., 2001). It also can be seen as involving aspects of new entry, especially how new entry is undertaken (Lumpkin & Dess, 1996), and combining existing resources in new ways to develop and commercialize new products, more into new markets, and/or service new customers (Hitt et al., 2001).

The traditional concept of entrepreneurship has been conceived as a one time act that creates a new product or service or even an entirely new business (Bygrave & Hofer, 1991). Today, entrepreneurial orientation is more likely to be viewed as a process, rooted in an organization’s culture, rather than as an event (Hult et al., 2004) to create value by bringing together a unique package of resource to exploit an opportunity (Stevenson et al., 1989). This process itself includes the set of activities necessary to identify an opportunity, define a business concept, assess the needed resources, acquire those resources, and manage and harvest the venture (Morris et al., 2001).

From the literature found that, entrepreneurial orientation had a direct positive on organizational innovativeness (Hult et al., 2004; Tajeddini, 2010), had a direct positive on learning orientation (Rhee et al., 2010; Wang, 2008), and had a direct positive on market orientation (Cui & Zheng, 2007; Lin et al., 2008).

3. Market orientation

Market orientation involves the implementation of the marketing concept. It facilitates a firm’s ability to anticipate, react to, and capitalize on environmental changes, thereby leading to superior outcomes (Shoham et al., 2005). It has been conceptualized from both culture and behavioral perspectives (Homburg & Pflesser, 2000). The vast majority of market orientation studies since 1990 have adopted one of these two market orientation definitions.

One perspective is offered by Narver and Slater (1990) who define market orientation as an organizational culture. This conceptualization and operationalization of market
orientation is seen as a composite of an organization’s orientation towards customers, competitors, and the firm. The first component is customer orientation that reflects the necessary activities for acquiring and disseminating information about customers. A competitor orientation implies an effort to gather and disseminate information about competitors of the market orientation firm. In addition, interfunctional coordination involves the business’ coordinated efforts to create superior value for customers on a continual basis.

The perspective is provided by Kohli and Jaworski (1990), who consider the stages of generating, disseminating, and responding to market intelligence as the essence of market orientation. Kohli and Jaworski (1990) operationalized market orientation from a behavioral process perspective as an organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of this intelligence across departments, and organization-wide responsiveness to this intelligence. The organization is expected to gather information for the purpose of distributing it across the company for decision-making purpose. The better the match among the three dimensions of market orientation activities, the smaller the waste of resources with different activities performed more efficiently (Sandvik & Sandvik, 2003).

From the literature found that, market orientation had a direct positive on organizational innovativeness (Hult et al., 2004; Rhee et al., 2010), and had a direct positive on learning orientation (Lee & Tsai, 2005; Rhee et al., 2010)

4. **Learning orientation**

Learning orientation has to do with the development of new knowledge in the organization (Crossan et al., 1999). Huber (1991) defines learning orientation broadly as the development of new knowledge or insights that have the potential to influence behavior through its values and beliefs within the culture of the organization. Sinkula (1994) refers to this demonstration or manifestation of learning as augmented knowledge, recognizing that the ability to apply knowledge implies a greater level of learning. Calantone et al. (2002) defines learning orientation as the activities of the organization to adding and using knowledge to enhance competitiveness.

From the literature found that learning orientation had a direct positive on organizational innovativeness (Hult et al., 2004; Lee & Tsai, 2005; Rhee et al., 2010).

5. **Organizational climate**
Organizational climate refers to common practices, shared beliefs, and value systems that an organization follows (Schneider, 1990). For the individual members within the organization, climate takes the form of a set of attributes and expectancies that describe the organizational activities (Jaw & Liu, 2003). Organizational climate plays an essential role in shaping employees’ behaviors and influencing their perception of knowledge management (Chen & Lin, 2004). One of the keys to remain competitive advantage for organizations is to foster the continuously innovative atmosphere to set in motion in its internal processes, procedures, and capabilities (Merrifield, 2000). Firms can encourage employees to think freely, to communicate their opinions and ideas openly, and to explore non-routine alternatives through formulating an innovative climate (Jaw & Liu, 2003). Under an innovative climate, when team members encounter certain project dilemmas, they may participate aggressively in their work teams and interact with each other to find out appropriate solutions (Hoegl et al., 2003). When firm possess a higher level of innovative climate, employees are more inclined to increasing interaction to exchange and share knowledge for creative thoughts (Edmondson, 1999).

From the literature found that, organizational climate had a direct positive on organizational innovativeness (Crespell & Hanson, 2008), and organizational climate had a direct positive on market orientation (Wei & Morgan, 2004).

Proposed conceptual model

The conceptual model of organizational innovativeness is designed based on secondary data from prior research. This paper identifies the organizational innovativeness from the four factors: entrepreneurial orientation, market orientation, learning orientation, and organizational climate. The relationships between the constructs are illustrated in the model in Figure 1.
Conclusion

This research aims to identify factors that influence the organizational innovativeness by using a literature review and documents analysis. The results of the study indicated that entrepreneurial orientation had positive effect and relationships with market orientation, learning orientation and organizational innovativeness. Market orientation had positive effect and relationships with learning orientation and organizational innovativeness. Organizational climate had positive effect and relationships with market orientation and organizational innovativeness. Learning orientation had positive effect and relationships with organizational innovativeness.

References


