



Organizational climate for innovation and organizational performance: The mediating effect of innovative work behavior

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ABSTRACT

Despite a plethora of literature on organizational climate for innovation and the persuasive arguments establishing its link to organizational performance, few studies hitherto have explored innovative work behavior of managers. Specifically, limited attention has been paid to explaining how organizations perceive the importance of stimulating innovative work environments. Drawing from organizational climate theory, this study investigates the mediating effects of innovative work behavior on the relationship between organizational climate for innovation and organizational performance. Our findings from a survey of 202 managers working in Malaysian companies demonstrate that innovative work behavior plays a mediating role in the relationship between organizational climate for innovation and organizational performance. Implications of these findings and avenues for future research are discussed.

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1. Introduction

Employee knowledge is crucial if organizations are to innovate and develop a competitive advantage. It is therefore essential to know how to create an organizational climate that cultivates innovation among employees (Deshpande & Farley, 2004; Nybakk & Jenssen, 2012; Patterson, Warr, & West, 2004). Isaksen and Ekvall (2010) noted that the deliberate management of organizational climates supportive of innovation is a key challenge, for those who lead and manage organizations. More specifically, France, Mott, and Wagner (2007) assert that failing to innovate can place organizations at risk and thus potentially diminish their ability to sustain or gain a competitive advantage. They argue that the challenge of being competitive can be met if organizations recognize that their ability to innovate is inextricably linked to the manner in which their leaders, people, climate, culture as well as structures support innovation and creativity.

The internal environment supportive of innovation is referred to as ‘organizational climate for innovation’ (OCI) and is crucial for organizations leveraging on innovativeness in order to create a competitive advantage and to enhance performance (Kissi, Dainty, & Liu, 2012). Isaksen and Ekvall (2010) supported this position arguing that an OCI is one where creativity and change

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are encouraged; 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, according to Janssen (2000) 'innovative work behavior' (IWB) consists of three interrelated behavioral tasks: (i) idea generation; (ii) idea promotion; and (iii) idea realization. Janssen's (2000) theoretical framework supports the ideas surrounding the concept of 'ideation leadership' that Johnson (2005, p. 613) relates to the creative process associated with generating, developing and communicating new ideas. Graham and Buchanan (2004, p. 54) concur with this view, describing 'ideation' as all stages of the thought cycle associated with innovation, development and actualization.

Janssen (2000) noted that IWBs are 'discretionary behaviors' and as a rule are not included in employees' prescribed job description or explicitly defined roles (see also Organ, 1988). Therefore, their application cannot be assured. In the same vein, Ramamoorthy, Flood, Slattery, and Sardessai (2005) supported this view and reported that these discretionary behaviors are not recognized by an organization's formal reward and recognition systems. Importantly though, Ramamoorthy et al. (2005) concluded that tendencies to engage in these extra-role behaviors can lead to enhanced team and organizational effectiveness and superior performance.

Driven by the assumption that employees' innovative work behavior contributes positively to work outcomes, researchers such as Janssen (2000), Janssen, van de Vliert, and West (2004), and Mumford, Scott, Gaddis, and Strange (2002) have devoted increasing attention to organizational and individual factors that potentially promote innovative work behavior. However, the relationship between OCI and IWB is still largely unexplored.

The impact of OCI that are strategically linked to *organizational performance* (OP) have been identified by researchers such as Crespell and Hansen (2009), and Nybakk and Janssen (2012). Other scholars have pointed to how innovative work behavior can assist organizations to gain competitive advantage and to enhance organizational performance (e.g., Janssen et al., 2004; Kanter, 1988; Oldham & Cummings, 1996; Scott & Bruce, 1994; Yuan & Woodman, 2010; Shih & Susanto, 2011). However, their approaches lack an underlying conceptual framework; and focus heavily on research examining the relationship between OCI and OP.

Our study makes a number of worthwhile contributions to theory and practice in organization climate research. First, only a handful of studies have looked into the relationship between OCI and IWB in general, our study will provide a new perspective of the relationship between the constructs. De Jong and Den Hartog (2010) assert that although a positive correlation between innovative climate and innovative work behavior has strong face validity, most empirical work explored climate's effects on organizational and team level innovations. Many studies (West & Anderson, 1996; Amabile, Conti, Coon, Lazenby, & Herron, 1996; Nijhof, Krabbendam, & Looise, 2002) at the organizational and team level have shown a positive effect of climate on innovation. However, empirical study of climate's effects on individual innovative behavior has been limited. It is also important to note that the current theoretical understanding of the consequences of organizational climate is based largely on studies conducted in western settings, with little evidence from an Asian perspective (Sellgren, Ekvall & Thomas, 2008). Managers who understand how to positively impact the climate of innovation and work behavior supportive of innovativeness will create the most opportunities for innovation in their organizations which, in turn, may enhance the performance of organizations.

As employee innovative behavior is seen as a strategic foundation, this research fills the void by testing a model that delineates the relationship between OCI and OP in the context of IWB. Therefore, the objective of this study is to examine the mediating effects of IWB, on the relationship between OCI and OP. We aim to investigate the indirect relationship IWB has on OCI and OP. The paper is set out as follows: first, we provide the review of literature on OCI, IWB and OP to develop our hypotheses. Secondly, we present the research methods followed by the results. Finally, we conclude the paper with a discussion of the findings, implications, limitations and directions for future research.

2. Literature review and hypotheses development

2.1. Organizational climate for innovation and organizational performance

Innovation has been shown to be crucial to the success of an organization and individual creativity and innovativeness to be key to organizational level innovation (DiLiello & Houghton, 2006). Importantly, organizational climate can have a positive effect on creativity and innovation in organizations (Amabile et al., 1996; Cooper, Edgett, & Kleinschmidt, 2004; Nybakk, Crespell, & Hansen, 2011). Management needs to ensure that the organizational climate encourages, nurtures, and enhances individual creativity (DiLiello & Houghton, 2006; Hunter, Bedell, & Mumford, 2007; Isaksen & Lauer, 2002). Employees who have innovative and creative potential are most likely to practice innovation when they perceive strong organizational support (DiLiello & Houghton, 2006). Furthermore, if organizations are able to develop an organizational climate perceived as positive by individuals, this is more likely to result in higher levels of motivation, commitment, and employee engagement, leading to improved OP.

Macey and Schneider (2008) posited that high states of employee engagement in innovation led to discretionary effort of employees which, in turn, led to better OP. Further, an organizational climate that motivates and involves employees has a positive impact on performance (Brown & Leigh, 1996). Analogously, Harter, Schmidt, and Hayes (2002) concluded from a meta-analysis of over 7000 business units in 36 organizations that building an environment that increases and supports employee innovation can significantly increase the possibility of business success. Consistently these studies and several other exploratory studies (e.g., Crespell & Hansen, 2009; Desphande, Farley, & Webster, 1993; King, De Chermont, West, Dawson, & Hebl, 2007; Nybakk

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