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Connecting people, ideas, resources



Fostering a Culture for Innovativeness in the Forest Products Industry

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Description: Study of the cultural factors that foster creativity and innovation in the forest products industry and the link with firm performance.

Methods: Mail plus online survey.

Data Source: 219 managers from forest products manufacturers across the US (117 primary manufacturers and 101 secondary manufacturers).

Key Findings:

1. Innovativeness is positively affected by Work Climate, and in turn it positively affects Firm Performance.
2. Climate for Innovation has a direct effect on Firm Performance.
3. Innovation embedded in a firm's strategy has a strong effect on Innovativeness.
4. Secondary manufacturers more effectively convert Innovativeness into Firm Performance.
5. A Climate for Innovation is characterized by high levels of autonomy, supervisor encouragement, team cohesion, availability of resources, and openness to ideas and change.

Introduction

In this project we studied the links among Work Climate, Innovativeness, and Firm Performance (Figure 1). We focused on a particular aspect of work climate, called Climate for Innovation.

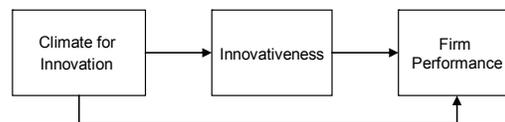


Figure 1: Concepts studied

The complete model included Innovativeness as the strategic orientation of the firm, firm size, industry, and business strategy (See Figure 2). For a complete description of all the variables measured in this study the reader is referred to an earlier research brief^{1,2}.

Results

The anticipated relationships were supported by our analyses. Business strategy was not found to impact the relationship between Innovativeness and Performance (Figure 2). Secondary manufacturers are better able to convert innovativeness into performance.

A pro-innovation work climate is characterized by high levels of autonomy; supervisor encouragement; team cohesion; availability of resources; and openness to ideas, risk-taking and change.

Managerial Implications

This study shows that being innovative can be translated into Firm Performance. Therefore, managers should embrace innovativeness as a core value of their firms. This means its inclusion in the mission and vision statements so every internal and external stakeholder can see it and feel encouraged to innovate.

More importantly, management must integrate a firm's structure and functions around innovation. That means allocating the resources and creating channels for idea generation and implementation, while promoting a culture favorable to change. The first step to achieve this is active championing of the principle, lowering employees' resistance to change and creating the appropriate mechanisms for continuous learning, improving, and creating.

Supervisor support can be promoted by setting a management style of support and camaraderie, likely to be imitated by mid managers with floor employees. Similarly, cohesion is achieved by setting clear and common goals and principles. In other words, giving employees a sense of purpose and belonging.

Being open to change means stimulating exploration and risk taking, while allocating the time and resources to do so. One example is the implementation of efficient idea systems (see Infobox), along with

some degree of structure in the innovation process.

Innovation comes in many forms, so managers are advised to explore various types such as organizational systems, markets, information technology, etc. These issues should be crucial when selecting and training people, especially mid managers, who play a crucial role linking upper management and floor employees.

The first stages of this study showed that the most important climate factor promoting innovation is the presence of management support. Upper management's ability to act and be recognized as a change agent is crucial for the realization of employees' creativity into innovation. Having a structured process for the development of innovations was identified as the second most important factor supporting innovation. Conversely, resistance to change was recognized as the main impediment to innovation.

Conclusions

Results place Innovativeness as a cultural phenomenon that can be directly affected by organizational dynamics of the work environment.

Innovativeness is a direct result of a distinctive organizational climate and culture centered on change and innovation. Innovativeness was found to be directly associated with higher Firm Performance of forest products firms, especially secondary manufacturers.

We speculate that secondary firms may be in a better position to convert creativity into beneficial innovations due to close proximity and higher levels of interaction with final users. This likely translates into better information sharing and coordination across divisions and units, and hence a greater ability to utilize input from external stakeholders (customers, consumers, suppliers, partners, etc.).

The positive connections among the concepts suggest that companies can benefit in several ways by fostering a pro-innovation climate. The benefits include financial performance and organizational/social benefits such as higher levels of commitment and job satisfaction.

The direct effect that Climate for Innovation and Innovativeness have on Firm Performance are roughly the same, further signaling the positive effect that a pro-innovation climate has on firm dynamics. A Climate for Innovation is expected to improve such processes as

communications, decision making, problem solving, etc.

These results are promising, as it is shown that important financial and social benefits can be obtained by making innovation a core value of the firm.

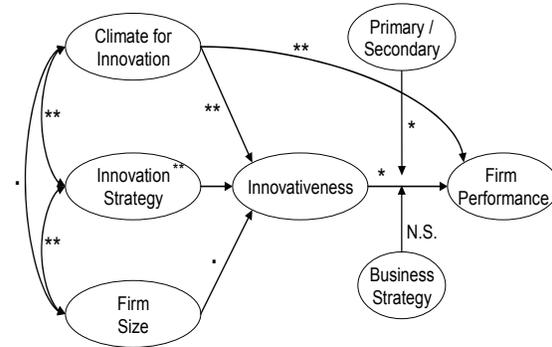


Figure 2. Hypothetical model

Strength: ******: Very strong, *****: Strong: **.**: Moderate, **NS**: Not significant

Infobox. High-performing idea systems³

- Ideas are encouraged and welcomed
- Submitting ideas is simple
- Evaluation of ideas is quick and effective
- Feedback is timely, constructive, and informative
- Implementation is rapid and smooth
- Ideas are reviewed for additional potential
- People are recognized, and success celebrated
- Idea system performance is measure, reviewed, and improved

Literature Cited

¹ www.cof.orst.edu/cof/fp/faculty/hansen/OSU,%20FBS%20Research%20Brief%20-%20Culture%20Climate%204.1.06.pdf

² <http://ir.library.oregonstate.edu/dspace/bitstream/1957/4932/1/Thesis8.pdf>

³ Robinson, A. & Schroeder, D. 2006. Ideas are Free. Berrett-Koehler: San Francisco. 256 p.



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