Chapter 13
Factors Predicting the Innovation Climate

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ABSTRACT

The purpose of this chapter is to investigate how such factors as corporate social responsibility, individual and organizational level factors predict the innovation climate. The survey was conducted in Estonian, Chinese, Japanese, Russian and Slovakian electric-electronic machine, retail store and machine-building enterprises. Linear regression analysis was done in order to analyze connections between the innovation climate, corporate social responsibility, individual and organizational level factors. The total number of respondents was 4632. The results of an empirical study show that both facets of corporate social responsibility - the firm performance concerning social issues and the firm respects the interests of agents, individual and organizational level factors predict the innovation climate, but it differs according to different countries. The 5 models developed explain how corporate social responsibility, individual and organizational level factors predict the innovation climate in Estonian, Chinese, Japanese, Russian and Slovakian electric-electronic machine, retail store and machine-building enterprises.

INTRODUCTION

Today, pioneering enterprises integrate social entrepreneurship into their core activities by actively channelling their research-and-development capabilities in the direction of socially innovative products and services (Schwab, 2008). Research has called for organisations to be more entrepreneurial, flexible, adaptive and innovative to effectively meet the changing demands of today's environment (Orchard, 1998; Parker and Bradley, 2000; Valle, 1999).

The main aim of the study is to find connections between corporate social responsibility, individual, organisational level factors and innovation climate.

A standardised corporate social responsibility, job satisfaction, meaning of work, attitude toward the firm, powerfulness of firm in competition against rivals, behaviour of management and policy of firm questionnaires were developed by the Denki Ringo research group (Ishikawa et al, 2006). Based on the

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Innovation climate Questionnaire by Ekvall *et al*. (1983), the authors developed an Innovation Climate Scale.

The linear regression analysis was used in order to find statistically relevant connections between corporate social responsibility, individual, organisational level factors and innovation climate.

The main research question is: Do corporate social responsibility, individual and organisational level factors predict innovation climate?

This study, therefore, investigates how corporate social responsibility, individual and organisational level factors predict innovation climate. Data is collected from empirical studies in Estonian, Chinese, Japanese, Russian and Slovakian electric-electronic machine, retail store and machine-building enterprises. Results are discussed.

The following section will explore the theoretical framework of the study by presenting an overview of the literature on this topic. This will be followed by a brief discussion of the relationship between the innovation climate and corporate social responsibility, individual and organisational level factors. Then the empirical study will be presented followed by the results and some concluding remarks.

THEORETICAL FRAMEWORK

The Innovation Climate

In this study, we examine the innovation climate. In particular we examine how the degree to which an organisation offers its employees support and encouragement to take initiative and explore innovative approaches can influence the degree of actual innovation in that organisation (Martins and Terblanche, 2003; Mumford and Gustafson, 1988).

Many authors (Van de Ven, 1986; Amabile, 1988; Smith, 2000; Unsworth and Parker, 2003) have found that individual innovation helps to attain organisational success. Employee innovative behaviour depends greatly on their interaction with others in the workplace (Anderson et al., 2004; Zhou and Shalley, 2003). According to Damanpour and Schneider (2006), the climate for innovation is a direct result of the top managers' personal and positional characteristics.

Previous studies treat innovative behaviour among employees as a one-dimensional construct that encompasses both idea generation and application behaviour (Scott and Bruce, 1994; Janssen, 2000). This implies that differences in the relevant leader behaviour between the two phases remain invisible, which is why recent work recommends keeping these phases of the innovation process separate (Mumford and Licuanan, 2004). Innovation theorists often describe the innovation process as being composed of two main phases: initiation and implementation (Zaltman et al., 1973; Axtell et al., 2000).

The Schumpeterian definition (Shumpeter, 1934) of innovation states that the commercialization of all new combinations is based upon the application of any of the following: new materials and components, the introduction of new processes, the opening of new markets and the introduction of new organisational forms. Only when a change in technology is involved is it termed an "invention", but as soon as the business world becomes involved, it becomes an "innovation" (Janszen, 2000).

Innovation involves the creation of a new product, service or process. "New" products can be viewed in terms of their degree of newness, ranging from a totally new, or discontinuous, innovation to a product involving simple line extensions or minor adaptations/adjustments that are of an evolutionary or incremental nature (Brentani, 2001).

According to Buckler and Zien (1996) innovation is the purpose of the whole organisation – a broad activity. In this kind of culture, new ideas come forward into an atmosphere of enthusiastic support and a desire to contribute to them, even though everyone knows that the majority of these ideas will not make it to market. Innovative com-