FOREST BUSINESS SOLUTIONS RESEARCH BRIEF

Fostering a Climate/Culture for Innovativeness

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Description: Study of the cultural factors that foster creativity and innovation in the forest products industry

Methods: Paper questionnaire + personal

Data Source: Managers and hourly workers from three Oregon forest industry companies

Key Findings: To be creative a committed upper management is crucial, as evidenced by the fact that supervisor encouragement is the factor with the strongest correlation to a creative climate. Likewise, team cohesion and autonomy rank high as enhancers of creativity at work. Employees consistently ask for more opportunities for participation. Main problems are found at the floor management level where more training is needed to overcome old-school thinking, avoid favoritism and inequity, and improve communication skills.

Introduction

The study attempts to quantify several concepts, described in Table 1 and identify those climate factors that most enhance innovativeness. Ultimately, the goal is to determine how these concepts impact firm performance (Figure 1).
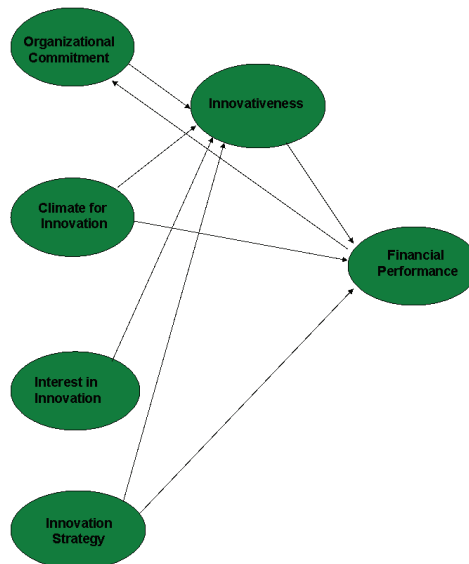

Figure 1: Theoretical model

Results

Innovativeness is positively correlated with a creative work climate. A creative climate is characterized by high levels of supervisor encouragement, team cohesion, autonomy, and openness to innovation. A creative climate is positively correlated to job satisfaction and organizational commitment. A positive, but weak correlation exists between innovativeness and financial performance. A company having innovation embedded in its strategy shows higher levels of innovativeness, creative climate and financial performance. A differentiation strategy is positively associated with innovativeness. Seniority is positively correlated with people's perception of innovativeness and creative climate (Figure 2).

Overall, employees think their opinion is not sufficiently considered and feel left out of decision making processes. The studied companies do not have a very structured system to track new product performance. A high consistency was observed in the way that supervisors and hourly employees see the dominant cultures at the workplace, with a homogeneous mix of the four cultures being the norm. Supervisors tended to see it as a more familiar and supportive place (Clan) but this difference was not significant (figure 3). Likewise, job satisfaction is higher within this group (Figure 4).

Managerial Implications

The degree of innovativeness shown by a company is related to the dominant climate in the workplace. A creative climate is characterized by high levels of supervisor encouragement, team cohesion, autonomy, and openness to innovation.

More opportunities for employee participation can be pursued. Companies must go beyond the classical suggestion box. Systems where open communication is the norm yield better outcomes and result in higher morale than more formal systems. Monetary incentive programs may be useful in companies where organizational commitment is not the highest. Companies with higher organizational commitment may be better off by relying on intrinsically motivated incentive systems (e.g. the common good, innovation as a value and culture trait).

Conclusions

Programs aimed at developing creativity-friendly work climates will likely result in higher levels of job satisfaction and organizational commitment as measured by loyalty, identification and involvement. Excessive bureaucracy should be avoided as it is perceived by employees as a factor preventing the creativity of people and the innovativeness of a company. addressed and improved to overcome the high turnover rates that affect the industry.

Table 1: Concepts measured in the study

Concept	Dimension	Concept Description
Innovativeness	Products	Mill/company tendency to adopt/create
	Processes	
	Business systems	
Interest in innovation		Individual interest in pursuing new ideas
Organizational commitment	Loyalty	Feeling of belongingness and attachment to the company
	Identification	
	Involvement	
Job satisfaction		Self descriptive
Creative climate	Team cohesion	Elements perceived by the employees known to enhance creativity in the workplace
	Supervisor encouragement	
	Autonomy	
	Challenge	
	Openness to innovation	
	Resources	
Dominant culture	Dominant characteristics	Types: Bureaucracy, Entrepreneurial, Market, Clan
	Leadership	
	Management of employees	
	Company glue	
Innovation strategy	Products	Degree of integration of Innovation in the strategy of the company
	Processes	
	Business systems	
	R&D expenditure	
Business strategy	Low cost	Self descriptive
	Differentiation	
New product performance	% Revenue	% of the indicators coming from innovations
	% Sales growth	
	% Profit	
Financial performance	Sales level	Referred to competitors
	Sales growth	
	Profit	

Figure 2: Correlations

Figure 3. Dominant culture
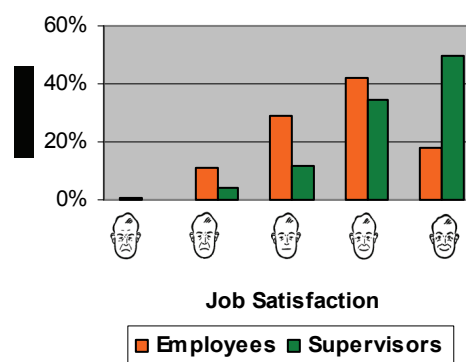
Figure 4: Job satisfaction

Respondents mentioned low wages as a factor of job instability and low loyalty. Nonetheless, the results of this study suggest that there is plenty of room to improve identification of employees with their organizations and hence indirectly improve loyalty. Likewise, there is plenty of room to improve innovativeness, especially in the form of processes and business systems as evidenced by the low values reported (4.6 for both in a 1-7 scale).

This, and the moderate levels of 'interest in innovation' and high levels of 'involvement' present opportunities to pursue by these companies if innovativeness is to be fostered.

Research using a larger sample size is needed to further study the link between innovativeness and financial performance and to make the results more suitable for generalization to a broader population. The second stage of this study is designed to accomplish this objective.
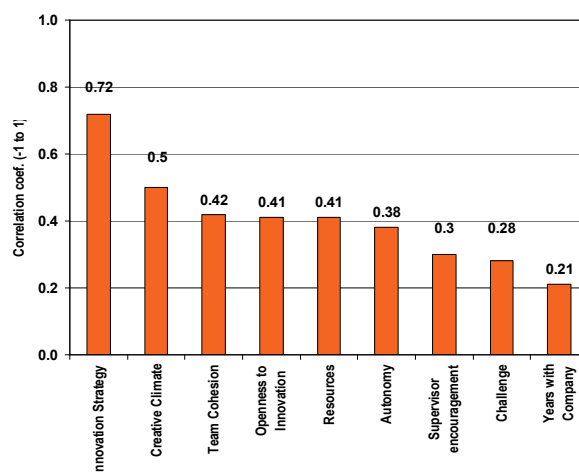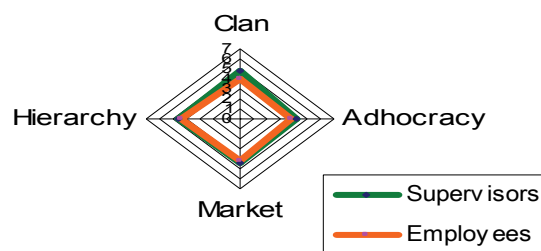
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