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Flourishing Innovation through Organizational Initiatives: An Analytical Study

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Abstract

Today survival of any organization depends on its innovative efforts in process, management, and product. Several studies have been conducted by researchers on enhancing creative ability of an individual and flaring organizational innovation, but significantly less work has been done on boosting organizational initiative as an input which addresses the influence of it on increasing creative instinct of an individual and innovation at the organizational level. Pertaining to the harsher reality of competition, this study inspects the relationship between organizational initiative and organizational innovation and focuses on the mediating effect of employee creativity by analyzing the observed value from 250 employees working in private automobile units. The ideation of the hypothesized research model illustrates that employee creativity partially mediates the relationship between organizational initiatives and organizational innovation. The integral mediating role of employee creativity signifies that the organization should show optimism towards employee encouragement, training and challenges to enhance creative instinct within an individual. This convenient form allows managers to take corrective action for fostering innovation in its product and service by augmenting individual's creative approach. A model was developed, which may provide the practitioners a conceptual framework while developing a methodical approach towards organizational innovation.

Keywords: Automobile Industry, Employee Creativity, Organizational Initiatives, Organizational Innovation, Structural Equation Modeling

1. Introduction

Recent advances in the Indian business scenario have made India a hot spot for many investors. India has been ranked as the fastest and strongest growing major economy of the world. Globalization and economic reforms have changed the business scenario since 1991. Subsequently, with recent developments in technology and increasing business firms, the competition has grown by manifold. The human asset of an organization requires continuous encouragement for cultivating new ideas. Ideas are the roots for germination of creative ability. Creativity and innovation go hand in hand. Creativity is the fabrication of novel and valuable

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ideas of an individual whereas organizational innovation is the fruitful execution of original ideas in an organization (Amabile, 1988). According to economist Schumpeter, "Innovation is the novelty in how value is created and distributed, it could be new products and services, but it could also be new ways of producing products, or novel ways of organizing firms and industries." Studies on innovation have suggested that innovation as an effective competitive strategy for a business and put forward that it is influenced by the environment in which it functions (Barney, 2001; Tsai and Yang, 2013). Innovation has a significant optimistic impact on business performance (Prajogo and Ahmed, 2007). Creativity and innovation encourage newer outlook to problems solving approach and helps in resolving critical organizational problems. The role of HR is to ensure that the employees develop the creative confidence, self-assurance, and ability to turn up with creative ideas and encourage them to try out those ideas. Hence, by attracting, retaining innovative people and continually improving their skills helps an organization to gain competitive advantage.

2. Relevance of the Study

At present, the global business market is becoming more and more complex, intricately networked and impenetrable; there is no such organization who doesn't profess the concept of creativity and innovation to remain competitive. According to Ernst and Young (E & Y) Report 2016, India provides an immense possibility to the Indian automobile industry for innovation and creating new solutions. The Research & Development (R&D) culture provides a breeding ground for innovation to both India's and international organizations. India houses some units focusing on innovation, which helps automobile companies to develop world class sophisticated, innovative products to serve the demand of the fast growing market. In today's dynamic industrial scenario a bigger difficulty task for current managers is to proficiently and efficiently develop and enhance the organizational innovative capabilities by using employee's strengths. To attain such objectives, employees should organize their intellectual capabilities so that an effective organizational change occurs by professing their creativity to action (Alirezai and Tavalaei, 2008). By lacking innovation, organizations merely not only fail on opportunities but also in its capacity to run a more effective and efficient organization. Researchers claim that creativity plays a considerable role for organization's longer sustenance since it empowers the organizations to stay competitive in a wider and dynamic milieu and attains a competitive advantage position (Beheshtifar *et al.*, 2013). Creativity has a significant, decisive effect on the organization's competitive advantage by maintaining a culture of the cooperative network by carrying out research and development work (Chesbrough, 2003).

3. Objectives of the Research

In the existing literature, there is an evidence of relationship and the effect of different antecedents of creativity leading to employees' creative potential. There has been substantially less or nil empirical traces which are diagnosed concentrating on the impact of organizational initiatives (training, organizational encouragement and perpetual challenging) on employee creativity. This research gap of empirical evidence in Indian automobile industry led us to construct the following objectives to conduct the study:

- To investigate the relationship between organizational initiatives, employee creativity and organizational innovation in the Indian automobile industry.
- To examine the mediating role of employee creativity to strengthen the liaison between organizational initiatives and organizational innovation.

4. Theoretical Background and Hypotheses Development

4.1 Training and Employee Creativity

Training mainly relates to a scheduled attempt made by an organization to aid the process of skill learning related job proficiencies. Training boosts employees' competency that is critical to upsurge creative thought procedures and provides prospects that enrich task domain proficiency (Lau and Ngo 2004). Training not only enhances the capacity of the employee but also hone their thinking ability and creativity so as to take an enhanced decision in time and most dynamic fashion (David, 2006). Training improves self-efficacy and results in loftier performance on the job, by supplanting the traditional weedy practices by efficient and effective work related exercises. Training programs groom employees and help an organization to make better use of their human resources to gain competitive advantage (Elnaga and Imran, 2013). Several organizations adopt creativity training in an endeavor to develop the innovative capabilities of their employees (Birdi *et al.*, 2012). According to empirical studies done by Rickards and De Cock (2004) and Basadur *et al.* (1990) training employees with creative thought process gave rise to progressive changes in employee's attitude towards sub-dimension of divergent thinking. Epstein *et al.* (2008), in their study in Philadelphia, noted that the city manager, the director of human resources and other city officials imputed innumerable positive changes that were noticed after creativity training. It was observed that employees were more prompt to share new ideas, and managers appeared to be more receptive to hear them. Creative researcher like Bharadwaj and Menon (2002) comprehends from their study that there exists a positive relationship between training for the enhancement of employee creativity and performance of the organization.

4.2 Organizational Encouragement and Employee Creativity

Organizational encouragement is the wisdom that top management boosts, supports, identifies creative work and there are instruments for equal consideration of new ideas. According to Amabile *et al.* (1996), there exists several facets which are perceived as broadly functional within an organization for the encouragement of its employees which are embodiment of idea creation with associated risk, systematic and unbiased assessment of ideas, apprehension of creativity with reward (Cummings, 1965), the fluidity and collectivism of idea throughout the entire firm management, participative management, and decision-making (Kanter, 1983) which are important aspects of organizational encouragement. Dewett (2006, 2007) & Neves and Eisenberger (2014) in their study found that risk appetite of an organization provokes employee to come up with unique ideas. It is evident from previous studies that an extrinsic reward helps employees to bloom their creative performance (Zhou *et al.*, 2011).

4.3 Perpetual Challenging and Employee Creativity

In the year 2000, Constantine Andriopoulos and Andy Lowe propagated grounded theory on perpetual challenging as a procedure for increasing organizational creativity, focusing on its need due to emerging trends in a global era such as technology, unpredictable clients, change and higher employees' expectations. They defined perpetual challenging as "the ways through which creative organizations enrich their employees' internal effort to perceive every single project as a new creative encounter so that their contribution is maximized and an innovative solution can arise". Andriopoulos and Lowe (2000) described four components of perpetual challenging which are adventuring, overt confronting, portfolioing and opportunising. Sternberg *et al.* (1997) strongly assert that management executives must allow the business to exist. Amabile (1997) has emphasized the importance of challenging work, which states reconciling creative employees with their assignments, based on their skills and interests, which in turn enhances their motivation towards work.

4.4 Employee Creativity and Organizational Innovation

The basic lexical unit of the English word creativity originates from the Latin term *creo* which means “to create, make”. The conception of creativity is dynamic. Employee creativity is construed as creating of both novel and useful ideas by an individual (Zhou and Shalley, 2003). The word innovation has its roots from the Latin term “*innovare*”, meaning, “to make something new”. Theoretically, innovation is defined as a method of converting opportunity into ideas and implementing these ideas throughout an organization (Flynn *et al.*, 2003). The precursor to any firm’s innovation is its employee creativity (Hon, 2012; Scott and Bruce, 1994). An organization relies heavily on innovation and creativity to survive against the competitors (Wang and Ma, 2013). The conception of creativity in an organization enables it to succeed among its competitors along with other entities like research and development (Urbancova, 2013). Through creativity, an organization not only achieves competitive advantage but empower itself to compete and sustain for the long term. Teodorescu *et al.* (2015) found out that the accomplishment of an organization depends on its encouragement of employee creativity as it fosters organizational innovation i.e. employee creativity directs to organizational innovation.

On the basis of the above discussions relating to the existing literature, we have proposed the following hypotheses and a research model.

H1: *Organizational initiatives have a positive impact on flourishing employee creativity.*

H2: *Employee creativity has a significant impact on organizational innovation.*

H3: *There is a significant relationship between organizational initiatives and organizational innovation.*

H4: *Employee creativity will mediate the association between employee creativity and organizational innovation.*

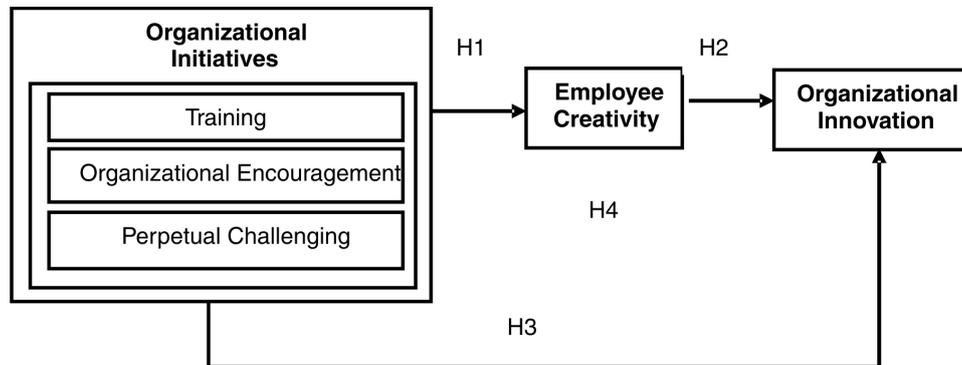


Figure 1: Hypothesized Conceptual Model

5. Research Methodology

5.1 Sampling and Data Collection

The research study focuses on an exploratory survey which attempts to measure the interaction between crucial elements of organizational initiative (IN), employee creativity (EC) and organizational innovation (OI). A sampling frame of four wheelers automobile manufacturing and R & D units in southern part of India were destined for the study. The target population constituted

of technocrats, production managers, design engineers and R&D professionals. Stratified and random sampling technique was adopted. 346 questionnaires were circulated out of which only 250 valid questionnaires were received, resulting in the response rate of 72.25 per cent. The study constituted about 65% of male and 35% of female respondents. Respondents of the age 20 – 30 years comprised of 56 % whereas 31-40 years aged were 24% and successively 41-50 years were 12%and 51-60 years constituted 8%. Major respondents were R&D managers (52%), design engineers (28%), production managers (13%), and CAD engineers (7%). 5 – 10 years' work experience holder constituted 62% shadowed by 0 – 5 years (22%), 11-15 (8%), 16-20 years (6%) and above 20 years (2%).

5.2 Measurement Scales

The questionnaire consisted of three measurement scales that were adapted after research of existing literature. Training scale comprised of 6-items (self-developed for this study) whereas organizational encouragement scale consisted of 6 items (Amabile *et al.*, 1996). Five items scale for perpetual challenging (self-developed for this study). A 10 items measure of employee creativity (Torrance, 1963; Trai, 1997; Tierney *et al.*, 1999; Zhang and Bartol, 2010) and 10 items scale of organizational innovation (Bolívar-Ramos *et al.*, 2012; Camison and Villar-López, 2014) was developed for the study. Items in the questionnaire consisted of five – point Likert scale with ranges of strongly agree i.e. 5 to strongly disagree i.e. 1.

5.3 Sampling Approach

Employees of an organization are distinctive in nature that's why the study was personalized to fit each of the organization's best. Participation was approved with the help of appointments and prior approval via electronic media from the organization. We visited the automobile manufacturing organizations to collect the responses. Participants were assured that there were no right or wrong answers and that their responses would remain anonymous.

5.4 Data Analysis

Data was analyzed using EFA method with the help of IBM SPSS version 20. Subsequently, AMOS 20 was used to develop a model which confirms the association amongst the variables of the research.

6. Results and Discussions

6.1 Preliminary Analysis

Table 1 consists of descriptive statistics, reliabilities data, and inter-correlation matrix. Cronbach's alpha ranges from 0.897 to 0.922.

Table 1: Descriptive and Correlation Results

Variables	Items	Mean	SD	α	IN	EC	OI
Organizational Initiative(IN)	17	3.62	.67	.922	1.000		
Employee Creativity (EC)	10	3.58	.72	.897	.428**	1.000	
Organizational Innovation (OI)	10	3.72	.69	.910	.472**	.616**	1.000

Note: ** p < 0.01

Dimension reduction was carried out as to extract the relevant factors that specify the role of EC in the automobile industry. The value of Kaiser-Meyer-Okin (KMO) is reported as 0.900. Out of 37 items, 18 items was extracted through Principal component analysis using varimax rotation method: 8 items for IN, 5 items for OI and 5 items for EC which is depicted in Table 2. Loaded items commonalities ranged from 54 to 83 percent. The three extracted factors in total explained 65.86 percent of the overall variation in the sample.

6.2. Test for Measurement Model

CFA was used to estimate the convergent validity, extracted (AVE) and composite reliability (CR) are given in Table 2. The constructs were found to be distinctive. Results concluded that reliability estimates and measurement model analysis are significant.

Table 2: Measurement Model Results

Construct	Items	Standardized Estimates	AVE	CR	p-value
IN	TR1	0.706	.506	.891	.000
	TR3	0.796			.000
	OE3	0.737			.000
	TR2	0.725			.000
	OE1	0.744			.000
	PC5	0.598			.000
	PC4	0.682			.000
	OE6	0.684			.000
OI	OI5	0.904	.542	.855	.000
	OI3	0.872			.000
	OI4	0.816			.000
	OI6	0.877			.000
	OI1	0.768			.000
EC	EC4	0.718	.720	.928	.000
	EC3	0.675			.000
	EC2	0.795			.000
	EC5	0.792			.000
	EC9	0.694			.000

Table 3: Discriminant Validity

	OI	IN	EC
OI	0.849		
IN	0.395	0.711	
EC	0.523	0.478	0.736

6.3 Test of the Structural Model

The structural model is shown in Figure 1. All the fitness indexes indicated that the hypothesized model have a good fitness with the data ($\chi^2 [130] = 256.551, p < .001; \chi^2/df = 1.973; RMSEA = .063, NFI=.908, IFI=.952, TLI=.944, CFI=.952$). Above results show that IN made a direct impact on OI besides the mediating influence of EC.

Table 4: Inferences are Drawn on Hypotheses

Hypotheses	Relationship	Beta Coefficient	P value	Result
H1	IN→EC	.478	***	Accepted
H2	EC→OI	.434	***	Accepted
H3	IN→OI	.395	***	Accepted

6.4 Evaluation of the Mediating Effect of EC

Table 4 depicts the path estimates between the constructs which suggests that all are significant. Data in Table 5 shows that indirect effect is 0.216 which is substantial while direct effect is 0.195 which is relatively less significant conforming the partial mediation effect of EC on OI. Figure 2 portrays the entire model with path coefficients for mediating role of EC amongst IN and OI. Thus, from the above discussions, we conclude the establishment of hypothesis 4.

Table 5: Total, Direct, and Indirect Effect Results

Relationships	OI→EC		P value
Total Effects	.411		***
Direct Effects	.195		***
Indirect Effect	.216		***
Test for Mediation		Partial	

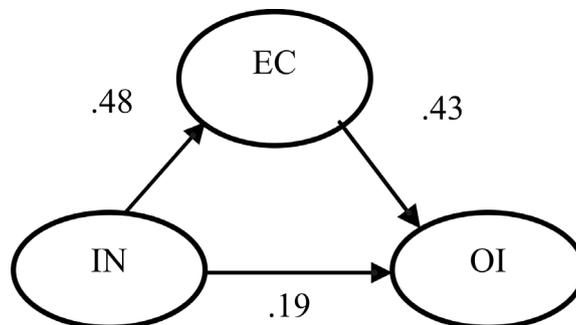


Figure 2: Structural Model of Mediation

7. Managerial Implications

The results of the present study demonstrate that employee creativity catalyzes organizational initiatives towards organizational innovation as a mediating entity. Thus, the current findings establish a threefold relationship between organizational initiatives, employee creativity, and organizational innovation. Managers should emphasize on encouraging employee creativity through initiatives within the organization that foster creative thought process resulting in idea creation. Employees should be given freedom to take risks and come up with innovative ideas. Employees should be made able to feel the sense of openness in the organization. The organization should conduct training session so that employees' competencies get refined. Perpetual challenge provokes individuals for brainstorming and to think differently due to job complexity. Thus, the study adds to the literature the mediating effect of employee creativity (Gong *et al.*, 2009) and the impact of it on organizational innovation (Somech *et al.*, 2011 and Dul *et al.*, 2014). The study yields a conceptual framework for the managers in strategic planning and implementation of initiatives that encourages innovative capabilities of the executives within the organizations. The results also substantiate the idea that R&D managers, designers and product development managers' get encouraged through organizational initiatives for creative engagement in an organization to sustain heavy competition in the automobile industry.

8. Conclusion

The study shows that organizational initiatives have a deterministic effect on Organizational innovation. Organizational initiatives for employee encouragement, training, and perpetual challenges create an environment for comprehending employee creativity, which leads to organizational innovation. When activities relating to the organizational initiatives are strategically implemented within an organization, then it systematically empowers employee creativity for delivering innovation in product and services within the organization. Without proper organization support, these driving factors of innovation don't provide efficient results. The outcome of such oblivion makes organization fail to the harsh competitiveness. This research attempted to summarize the substantial impact of the organizational initiative on organizational innovation wherein creativeness among employee makes organization sustainable. The symbiotic relationships among the three crucial aspects of organization survival facing harsher competition are an important key to its sustainability through standardization of an organizational initiative.

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