

## **ROLE OF ORGANIZATIONAL CLIMATE IN PROMOTING INNOVATIVE WORK BEHAVIOUR: AN EMPIRICAL ASSESSMENT OF BANKING ORGANIZATIONS**

**Sumira Gulzar\***  
**Iqbal Ahmad Hakim\*\***

### **ABSTRACT**

Innovative Work Behaviour involves intentional creation, introduction and application of new ideas within a work role, group or organization, in order to improve the overall organizational performance. In organizational context, Organizational climate is reported as an essential factor that affects the individual's innovative behaviour as well as organization or team level innovation. The present study aims to study the impact of organisational climate on shaping the innovative work behaviour at an individual level as well on organisational level among the employees of the Jammu and Kashmir bank. Results of regression analysis showed that the organisational climate has a significant positive impact on Innovative Work behaviour of employees. Further, findings revealed that the demographic characteristics of employees such as age and gender don't significantly influence their Innovative Work behaviour.

*Key words: Innovative work behaviour (IWB), Organisational climate, J&K Bank*

### **INTRODUCTION**

Organizations, in the face of globalization and rapid technological advancements, encounter challenges like varying customer demands and increased competition. Organizations have recently been facing pressures and challenges, highlighted in the lack of available resources, the multiplicity of objectives, the low levels of productivity, increasing societal needs, the low level of satisfaction of beneficiaries and employees, etc. To ensure the survival and continuity in the light of the rapid changes and to maintain a competitive edge, organizations requires dynamic changes and need to bring innovation in their product, service; introduce new technology, new managerial or administrative practices and bringing changes in all the other elements of the organization. To build an innovative workplace employees are heavily relied upon and must bring innovations in their processes, methods and operations (Ramamoorthy *et al.*, 2005). In the present scenario, organizations shouldn't confine innovation to research and development professionals and should encourage and develop the innovative potential of all of their employees for long-term success. Innovative Work Behaviour (IWB) is described as the intentional creation, introduction and application of new ideas within a work role, group or organization, in order to benefit performance (Janssen, 2000). It helps to develop new and creative ideas and to encompass their implementation.

Individual innovativeness, in organizational context, is supported and significantly influenced by the resource factors and climate of the organization (Sundgern *et al.*, 2005; Axtell *et al.*, 2000). The climate of the organization is assumed by the employees through organization's practices and procedures, which in turn formulate and shape their priorities. To encourage and promote the

\*Research Scholar, Department of Management Studies, University of Kashmir

\*\*Professor, Department of Management Studies, University of Kashmir

innovation in an organization, scholars had empirically proven the capability of organizational climate to develop innovative work behaviour of employees (Amabile *et al.* 1996 & Hunter *et al.*, 2007). Solomon *et al.* (2004) found organizational climate to be an essential factor that affects the individual's innovative behaviour.

The present study aims to empirically test and measure the relationship between innovative work behaviour and organizational climate in context of financial institutions. The justification of the present study lies in the fact that the current theoretical understanding of the consequences of organizational climate is largely based on the studies conducted in western contexts lacking evidence in Asian perspective (Sellgren *et al.*, 2008).

## **LITERATURE REVIEW**

In the face of globalization and rapid technological advancements, Organizations are facing the challenges of varying customer demands and increased competition. To encounter these challenges and to maintain a long-term competitive advantage, organizations need to encourage and develop the innovative potential of all of their employees and promote innovative work behaviour (IWB). In a competitive business environment characterised by reduced product lifecycles, rapid technological changes, tremendous emphasis is given to price, quality and customer satisfaction; pushing for a competitive strategy, having an increased focus on innovation (Leifer *et al.*, 2001). Modern organizations are pressurized to transform their current state into preferred future state in order to stay relevant and achieve a sustainable competitive advantage. This transformation is facilitated through psychological processes, creativity and innovation. The concept of innovation, for the first time in management was coined by Schumpeter (1934), describing innovation process as creation of new brand, products, services and processes. Every innovation process goes through three stages; namely, Generation of ideas (production of new ideas and improvement of the recent ones); harvesting ideas (gathering, examining and evaluating the ideas); developing and implementing the ideas (study, testing, enhancement and development of the ideas and implementing them). Organizations need to promote innovative work behaviour (IWB) among their employees in order to meet the challenges of globalisation and to remain competitive.

## **INNOVATIVE WORK BEHAVIOUR**

Innovative work behaviour is a comparatively new dimension of research in the field of innovation which has emerged in recent years. The intension of innovative behaviour is to generate innovative output and benefit to the organization. Employee's behaviours aimed towards making new products, processes and services are included in innovative work behaviour (Scott and Bruce, 1994). IWB is more applied in nature as it is to result in innovative output. The two concepts of creativity and IWB are thought to be overlapped and used interchangeably by many researchers (De Jong, 2006). IWB is defined by De Jong (2006) as "Individuals' behaviour directed towards the initiation and intentional introduction of new and useful ideas, processes, products or procedure within a work role, group or organization." IWB is individual's future oriented and self initiated behaviour. These actions are aimed at changing or bringing improvement in one's current situation (Janssen, 2000).

## **ORGANISATIONAL CLIMATE**

Organizational climate imitates shared beliefs of the members and psychological meanings they give to the environment in order to make sense out of it (Schneider and Reichers, 1983). It also portrays perception of the work situation, characteristics of the organization and the nature of employee's relationship with other people on job. Organizational climate is the frequent patterns of behaviour, attitudes and feelings, which are displayed in the daily environment of the organization and the individuals of the organization experience and understand it (Isaksen and Lauer, 1999). Organizational climate influences business processes like problem solving, decision making, communication, cooperation, controlling and other internal, psychological processes like learning, creation, motivation or commitment. Innovativeness at organizational level is highly influenced by organization's environment or climate (De Jong, 2006). Organizational climate has a pronounced impact on innovation (Ekvall and Ryhammar, 1999). Hunter *et al.* (2007) carried out a comprehensive meta-analysis demonstrating that the climate dimensions like Positive interpersonal exchange, Intellectual stimulation, Positive supervisor relations, Autonomy, Participation, Mission clarity, and Product emphasis are some of the most important dimensions that predict innovation in employees. Solomon *et al.* (2004) argued that organizational climate fosters IWB. A crux of the above stated research studies indicate that the perception of employees of work climate plays a major role in their readiness to innovate.

In the view of preceding literature review, it can be hypothesised that organisational climate has a significant impact on innovative work behaviour.

## **OBJECTIVES OF THE STUDY**

In light of the domain for research, the main objectives of the study are:-

1. To determine the impact of organizational climate and innovative work behaviour.
2. To evaluate the influence of demographic characteristics like gender and age on IWB of employees of the sample organisation.

## **RESEARCH DESIGN & METHODOLOGY** The sample

The sample of the study consisted of the managerial and non managerial employees from the different branches of Jammu and Kashmir bank located in the Kashmir region. A total of 150 questionnaires were administered to the potential respondents chosen, out of which 119 usable responses were received, for a final response rate of 79 percent.

## **Measures**

The instruments for IWB and organizational climate were adopted in the study after validation through pre-testing in pilot study. IWB was measured by adopted instrument from Zaman (2006). The scale consisted of 22 items rated on five point likert scale (1= strongly disagree to 5= strongly agree). The Cronbach alpha coefficient of the scale was 0.79. Organizational climate was measured terms of six dimensions namely autonomy, involvement, integration, supervisory support, training and clarity of organizational goals by Organisational climate measure (OCM) developed by

Patterson *et al.* (2005). The dimensions of organizational climate consisting of 5 items each were rated on five point likert scale (1= strongly disagree to 5= strongly agree). The Cronbach alpha coefficients of the five subscales of organisational climate in the present study were 0.78, 0.68, 0.72, 0.70 and 0.82 respectively.

## RESULTS

Descriptive statistics including mean and standard deviation of all scales and subscales were calculated. Table 1 shows the mean and standard deviations of all the variables in the study. The mean score of innovative work behaviour is 3.59 with a standard deviation of 0.57 whereas mean score of organisational climate is reported to be 4.03 with a standard deviation of 0.63. The mean scores depict that the perception of employees regarding the two variables under study i.e. IWB and organisational climate is fairly positive. The results depict that employees perceive a healthy climate exists in the sample organisation and the work behaviour of employees is fairly innovative. The reliability of the results is supported by the lower values of standard deviations indicating that the responses do not show much variability.

**Table 1: Descriptive Statistics (N=119).**

Variable	Mean Score	Standard deviation
<b>Innovative work behaviour</b>	<b>3.59</b>	<b>0.57</b>
<b>Organisational climate</b>	<b>4.03</b>	<b>0.63</b>

The correlation matrix in Table 2 reveals that IWB has highly significant positive relation with all the subscales of organizational climate. The matrix also shows that IWB has significant positive correlation with overall organisational climate ( $r = 0.472$ ,  $p < 0.05$ ). The results of regression analysis in Table 3 show that organisational climate has a significant positive impact on IWB. The value of  $R^2 = 0.47$  shows that 47% variance is explained by independent variable (organizational climate) in dependent variable (IWB).

**Table 2: Correlation matrix of all variables (N=119).**

Constructs		<i>Innovative Work Behaviour</i>
<i>Autonomy</i>	Pearson Correlation	.464*
	Sig. (2-tailed)	.000
<i>Involvement</i>	Pearson Correlation	.360*
	Sig. (2-tailed)	.023
<i>Supervisors Support</i>	Pearson Correlation	.333*
	Sig. (2-tailed)	.020
<i>Training</i>	Pearson Correlation	.388*
	Sig. (2-tailed)	.013
<i>Clarity Of Organisational Goals</i>	Pearson Correlation	.498*
	Sig. (2-tailed)	.010
<i>Organisational Climate</i>	Pearson Correlation	.572*
	Sig. (2-tailed)	.012

\* Correlation is significant at the 0.05 level (2-tailed).

**Table 3. Regression analysis for Organizational Climate with Innovative Work Behaviour (N=119).**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.572 <sup>a</sup>	.467*	.393	.24441
a. Predictors: (Constant), VAR00002(organisational climate)				

\* Regression is significant at the 0.01 level.

Tables 4 and 5 depict the evaluation of impact of the demographic factors like gender and age on the innovative work behaviour (IWB). Table 4 shows the results of t test depicting that the gender doesn't significantly influence the IWB of employees in the sample organisation.

**Table 4: Independent Samples Test**

	Levene's Test for Equality of Variances		t-test for Equality of Means			
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
<b>Innovative work Behaviour</b>	.227	.634	.300	117	.765	.03136

Table 5 shows the results of ANOVA, summarizing that respondents of different age groups do not significantly differ in their scores on IWB.

**Table 5: ANOVA (Age group wise)**

		Sum of Squares	Df	Mean Square	F	Sig.
<b>Innovative work Behaviour</b>	Between Groups	5.512	2	2.756	.873	.421

## CONCLUSIONS

The purpose of the study was to investigate the relationship between organisational climate and innovative work behaviour. Findings revealed results in the expected direction and a positive correlation was reported between innovative work behaviour and organisational climate. The results of regression analysis showed that independent variable organisational climate explained 47% variance in dependent variable IWB. Further, findings revealed that the demographic characteristics of employees such as age and gender don't significantly influence the IWB.

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