

THE RELATIONSHIP BETWEEN INNOVATION STRATEGY AND ORGANIZATIONAL PERFORMANCE: MEDIATING ROLE OF ORGANIZATIONAL INNOVATIVENESS LEVEL

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Abstract:

For years, relationship between innovation strategy and organizational performance has accounted for significant research attention (Keskin, 2006; Rindova & Kotha, 2001; Saunila & Ukko, 2012). Despite numerous research attempts, results are far from being definite and the relationship between innovation strategy and their effects is continuously underlined as an important aspect to be studied. Organizational performance has numerous determinants and organizational innovativeness is perceived to be one of its key drivers (Kreiser & Davis, 2010). On the other hand organizational innovativeness is dependent upon numerous factors, including the budget for innovation, existence of R&D department, strategy of organization, as well as organizational innovation strategy (Terziovski, 2010). Therefore, organizational innovativeness level comprises of a mediating variable for the relationship between innovation strategy and organizational performance. The main aim of the paper is to test the relationship between certain type of innovation strategy, namely innovation strategy, and organizational performance as well as the moderating role of organizational innovativeness level.

In the paper we test three subsequent hypotheses:

- H1: Innovation strategy are related to organizational performance, in such a way that the higher strategic innovative capabilities the higher the organizational performance;
- H2: Innovation strategy are related to organizational innovativeness level, in such a way that the higher the strategic innovative capabilities the higher the organizational performance;
- H3: Organizational innovativeness mediates the relationship between innovation strategy and organizational performance.

In order to complete abovementioned aim we present literature review results and, further, we test hypothesized relationships on the basis of data gathered from 130 small and medium-sized Polish organizations. The study was carried out in December, 2013, and respondents were managers or owners of the companies. To analyze the data we used the SPSS 20.0 for Mac and MPlus software, which were used to test relationships between variables. To measure innovation strategy and organizational innovativeness level (called SME performance in the paper), we employed tools suggested by Terziovski (2010) (alpha Cronbach = 0,941 and 0,896, respectively) and organizational effectiveness was measured with the use of modified Antoncić and Hisrich scale (see: Antoncić & Hisrich, 2001) (alpha Cronbach = 0,940).

In the first step we carried out exploratory factor analysis, which indicated that innovation strategy and organizational performance are one-dimensional, constructs, and organizational innovation is two-dimensional construct. We labeled them “product” and “quality” dimensions of organizational innovativeness. In the next step we tested the model with mediated relationship between innovation strategy and organizational effectiveness. Research model was close to be fitted (with RMSEA = 0,087 and CFI 0,915), but only one hypothesis – H2, received support in the process of data analysis. Neither relationship stated in hypothesis H1 nor H3 was statistically significant. In particular, innovation strategy appeared not to be significantly related to organizational effectiveness. Secondly, there is statistically significant relationship between innovation strategy and two identified dimensions of organizational innovativeness, namely: product and quality dimensions of organizational effectiveness (0,448 and 0,267 respectively; $p < 0,05$). Thirdly, organizational innovativeness does not mediate relationship between innovation strategy and organizational effectiveness (total indirect effect accounted for 0,106 variance change, but was not statistically significant). While the model was close

to be fitted, we assume that the introduction of context variables, such as environment, as well as accounting for other dimensions of innovation strategy, as mentioned by (Terziovski, 2010) would improve the model fit and explain greater part of organizational performance variance. In the end, implications for theory and practice are presented and future research directions are discussed.

Keywords: organizational innovativeness, performance, innovation strategy, quantitative research results