ENHANCING INNOVATION AND FIRM PERFORMANCE: THE ROLE OF CLIMATE FOR INNOVATION IN DESIGN FIRMS

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ABSTRACT

Innovation plays an important role in determining the competitiveness among firms operating in the construction industry. Creativity and innovation are especially crucial in design sector where firms are more likely to stay competitive if they are continually successful at generating and/or adopting innovation. To achieve this, studies have shown that firms should provide a condition that allows the innovation to be effectively diffused, a condition such that innovation can be nurtured and brought to fruition. This paper focuses on the study of a critical social element in an organisation, namely “climate for innovation”, whose role has been claimed to influence the diffusion of innovation. This paper argues that climate for innovation consists of three main social psychological constructs: organisational culture, leadership and team. To investigate the roles of these constructs, a questionnaire survey targeting design professionals employed in Australian architecture and engineering design firms was conducted. Based on a sample of 181 respondents, results from statistical analysis employing Structural Equation Modelling (SEM) revealed that innovative organisational culture functions as a gateway to the diffusion of innovation, by mediating the relationships between leadership and team climate, with innovation diffusion outcomes. More importantly, the findings highlighted the critical role of leadership in stimulating innovation in teams and creating a supportive culture that fosters and nurtures such innovation. Finally, the findings warrant the benefits of innovation by demonstrating the significant contribution of innovation to business performance in design firms.

Keywords: Innovation, Design, Structural Equation Modelling, Australia

INTRODUCTION

Innovation has been widely recognised as a driving force for a construction firm’s economic growth despite the perception that the industry is mature and not generally innovative (Blayse and Manley, 2004; Gann, 2003; Manseau, 2005). It has become an essential component of the firm’s strategy to accommodate rapid changes embodied in complex products and processes (Manseau, 2005). Typically, innovation can come to organisations by being generated or adopted (Damanpour and Gopalakrishnan, 1998); either way involves the process of innovation diffusion. Diffusion is defined by Rogers (2003) as “the process in which an innovation is communicated through certain channels over time among the members of a social system”. In fact the premises underpinning Roger’s innovation diffusion theory are largely based on sociology, psychology, and communication theory (Kale and Arditi, 2005). More