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Factors Affecting Organizational Innovativeness

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Abstract: *Innovation has an important role in the development and a factor decision competitive advantage for many businesses. This paper aimed to explore the determinant factors of competitive advantage to affect the innovative organization based literature review. These are six factors that have been identified as structure, culture, strategy, resources, R&D activities, and policies supporting innovation.*
Keywords: *innovation, factor, organization*

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I. INTRODUCTION

Peter Drucker - "Every organization needs one core competence: innovation". Innovation has long been cited as essential for organizational competitiveness and success (McAdam and Keogh, 2004; Edwards et al., 2005). Innovation allows businesses to infer new or improved products to the market before their competitors and grow their market share. Several organizations have been successful and thrive because of innovation, which creates competitive advantages for them (Goksoy et al., 2013, Lim et al., 2010). This awareness of innovation has become a great deal of literature on the topic of innovation. As a result, there are many different approaches to innovation. Schumpeter (1934) was a very influential person in the theory of innovation. He said that economic development is driven by innovation through motivational processes in which new technologies gradually replace the old ones. Schumpeter divides innovation into two categories: (i) "basic" innovations that create disruptive changes, (ii) "step by step" innovation will continuously impact on creating gradual changes. Rogers (2003) defines innovation as "The extent to which an individual or organization accepts the application of new ideas earlier than any other member of the system". Dalia et al (2011) stated that innovation is an introduction, provision of a new product to the market, commercialization, optimizing the efficiency of activations, available products, and contributing to increasing the competitiveness of the organization. Damanpour (2001) presents innovation types, innovation can be original, incremental, product, progress, administrative or technical.

In Vietnam, Clause 16, Article 3 of the Law on Science and Technology 2013 defines: Innovation is the creation, application of these achievements, technical and manageable solutions which improved the efficiency of economic development, raising productivity, quality and added value of products and goods.

Innovation has an important position in organizational effective management, both business organizations and political ones. For business organizations, they are conducting creativity to life over innovative products and service that customer desire, therefore making customers' needs, creating jobs and contributing to the economy. For local government, they are doing ideas in a creative way to meet the needs of the community, developing the quality of social life. Organizational creativity and innovation have an integral position in serving all of us (McLean, 2005).

Actually, accumulated throughout innovation studies in the manufacturing sector, can be helpful in assessing innovativeness of corporation. Of course, there may be differences between corporations. The purpose of this study to find the influence factor on innovative Organizational Innovativeness in Vietnam based on literature and previous study.

II. LITERATURE REVIEW

The world is developing very fast under the guidance of the 4th industrial revolution. This is having a great impact on the general world economy and the operation of a particular organization. In order to survive and develop, organizations need to be innovative. Innovation is considered a key factor in the establishment of new business and industry, economic development, organization performance, and competitive edge, and in the efficient management of public departments and businesses (Drucker, 1985; Gopalakrishnan and Damanpour, 1997). So, there are many factors that influence Organizational Innovativeness. The study results of the authors are summarized below:

Authors	Factors
Marisa Smith, Marco Busi, Peter Ball, Rorbert vander Meer (2015)	Management style and leadership, resources, organizational structure, corporate strategy, technology, knowledge management, employees, and innovation process.
Napaporn Tuksinnimit, Supol Durongwatana, Pakpachong Vadhanasindhu (2015)	High level, commitment to learning, Customer focus, management support, organizational structure, knowledge sharing, contingency reward.
Tran Hoai Nam , Nham Phong Tuan2 , Nguyen Van Minh	Awareness of innovation, innovation strategy, and policy, an organization for innovation, HR for innovation and building capabilities
Alvaro Gómez Vieites, José Luis Calvo (2011)	Organizational, technological, financial, and information-based resources, company's cooperation

III. METHODOLOGY

In this research, data is collected from selected journal articles that frequently give a comprehensive view of the effects of Organizational Innovativeness. This research uses conceptual analysis. Conceptual analysis related to the existence and frequency of concepts in a text. Relational analysis refers to building conceptual analysis by examining the relation concept in the text. In this research, the author uses both conceptual analysis and relation analysis

IV. RESULTS

4.1 Organizational structure

An organizational structure is a system in which activities are directed in order to reach the goals of an organization. Besides, it also decides how information flows between levels within the company. The forming of organizational structures makes cross-functional knowledge and resource sharing possible, which is a critical factor for companies; making certainly strategic decision-making, the resolve of disagreements, and the active and effectively coordinated process of innovation (Olson et al., 1995). Researchers of innovation have typically declared that the structure of an organization is a basic factor in functional innovation (Aiken and Hage 1971; Kim, 1980; Damanpour, 1991; Subramanian and Nilakanta 1996). Furthermore, early research suggests that centralization and strong hierarchy are detrimental to innovation. Two sets of structural factors have been verified by Damanpour (1991) which decide innovation capability in organizations. At first, the high degrees of professionalism, specialization, and functional differentiation are very conducive to innovation performance. Second, lively internal and external communication promotes active, open, and cross-functional communication to bring up innovation. Last, early research recommends that centralization and strong hierarchy are harmful for innovation (Burns and Stalker, 1961). Centralization is believed to hinder innovation Absolutely, Mumford and his colleagues (2002) noticed that creativity and innovation occur more naturally in decentralized, instrumental, and flexible, rather than mechanistic and organizational background.

In addition, the organizations that want to lead in the market and maximize their innovation outcomes and capabilities should evaluate their structural conditions. An organization with bureaucratic and formalized structures impedes innovation. Damanpour (1991) and Jung et al. (2008) overly formalized and bureaucratic organizational structures seem to impede innovation; in contrast, the organizational structures in which decision-making and influence regarding organizational processes are decentralized and in which project teams are granted considerable autonomy have been found to facilitate innovation. Moreover, promotes open discussion in which ideas and criticism can be expressed without repercussions and accepts failure (Mann, 2005). To better understand and interact with employee's communication is a way to build dialogue and change ideas in the way they want to attain the objective. Furthermore, an organization should implement the innovation policy in a way that encourages, expects, and rewards creative ideas (Mumford and Gustafsson, 1988).

- *Culture*

Organizational culture is a system of shared theories, values, and beliefs on how people behave in organizations. Culture is a powerful factor that shapes employees' work enjoyment, work relationships, and work processes. Innovation also depends on organizational culture, more specifically, on the degree of organizational support which can be divided into three forms. First, organizational encouragement of innovation refers to the degree to which researchers feel and perceive including (idea support, trust, emotional safety, and acceptance of risk-taking). Second, granting access to requisite resources which include expertise, materials, and information…etc. Final, empowerment, which refers to employee autonomy or freedom (Mann, 2005).

Culture organization relates to the values and beliefs of the organization and how affect innovation in the organization. Ahmed (1998) says that it is the "deciding factor" of innovation. Neely et al. (2001) considered the cultural innovation factor along with internal capacity and the ability to understand the environment positively impact innovation. Lawson and Samson (2001) and Smith (2008) also indicate whether appropriate culture and environment play a major role in achieving innovation. The cultural innovation driving this innovation capacity consists of two elements: the value associated with innovation and the key factor of innovation. Kowang and Long (2015) emphasize the role of organizational culture for effective innovation in research universities in Malaysia. Thus, organizational culture has a positive impact on innovation.

- *Strategy*

A strategy is a set of commitments and actions designed which are integrated and combined to do core competencies and benefit a competitive advantage. Strategies are purposeful and in advance the taking of actions (Slevin and Covin, 1997). There is a clear relationship between innovation and strategy. Innovation and strategy are closely related to each other; however, it does not provide enough empirical support to discover the nature of the relationship between them (Hitt et al., 2001). The strategy will impact innovation through an employee variable (Smith et al, 2008). The strategy outlines the different aspects and how these affect innovation. Moreover, the strategy includes 4 aspects: organizational strategy, innovation strategy, organizational vision and goals, and decision-making strategy. The company's strategy needs to be upgraded to reflect its organizational culture and to align its overall vision and goals. It is important that all employees of the organization understand the company strategy to support the achievement of goals.

Innovation strategy has an important role in the capacity of innovation (Kenneth et al, 2015). The relationship between vision, strategy, and innovation is decisive to effective innovation management (Lawson, 2001). Strategies determine the allocation of resources, products, processes, and systems that help businesses adapt to the uncertain business environment. The success of innovation requires a true vision and an emphasis on strategic direction that drives innovation. The innovation strategy includes a detailed action plan that accomplishes the goals of innovation (Johnston and Bate, 2007) and is an important element of creative innovation (Pane et al., 2003). A well-planned innovation strategy will be integrated with the business strategy to ensure that both strategies share a common vision and mission (Wong, 2005). According to Kowang (2015), innovation strategy including combining strategy, strategic communication, and commitment from senior leaders is an important factor affecting the effectiveness of innovation. As such, the strategy has a positive impact on innovation.

- *Resources (financial & human resources)*

Organizational literature on innovation has admitted significance such as financial resources ….as a positive contributor of organization innovation (Bierly et al., 2009). Available resources are positively related to innovation since resources are needed to develop new ideas. From an organizational perspective, innovation is often resource-intensive. Several researchers (Damanpour, 1991; Mumford et al., 2002; Woodman et al., 1993) have proposed that allotting sufficient resources may be a determining factor for the innovativeness.

- Financial resources

Peteraf (1993) asserts that financial resources can be a source of competitive advantage even though they are not themselves unique or difficult to imitate. This is mostly because organizations that have financial resources can take advantage of new opportunities and are better equipped to respond to threats from their environments. Firms with financial resources have the "means" to put into activities that can increase organizational innovation. Santoro (2000) and more recently Santoro and Chakrabarti (2002) show that firms that are better off financially can invest more in processes that will enable them to create new products. Studies on firm innovation also indicate that organizations with greater financial resources invest more in innovative activities, because they can afford to take more risk and can absorb the cost of failure more easily (Gassmann and von Zedtwitz, 2003; Wischnevsky and Damanpour, 2005). Financial resources stimulate more innovation because more financial resources mean more flexibility to experiment with new ideas, bringing in more and better-qualified people to generate ideas, supporting more customer surveys, and more prototype testing which is all potentially draining financial resources (Hoegl et al., 2008). When the organization has more financial resources, it will have more leverage to put money into areas that in the short run potentially extract resources, such as innovation. Specifically, in the case of biotechnology firms where the main activity of the firm involves the application of biotechnology techniques to produce goods or services and/or to perform biotechnology research and development, the availability of financial resources will be directly related to more innovation.

- Human resources

There have been many studies conducting research on the relationship between human resources with innovation. Typically, empirical studies demonstrated human resource management affect the development and exploitation of intellectual capital (Wright, Dunford & Snell, 2001), knowledge creation & product development (Collins & Smith, 2006), and organizational learning (Snell, Youndt & Wright, 1996).

- *R&D activities*

R&D activities are included within the list of activities considered necessary for technological innovation (Frascati Manual and the Oslo Manual). Moreover, the interactive model considers R&D activities as a tool that can be used to solve problems occurring during the processes of innovation, being able to enter the process at any phase. Therefore, our model considers the role played by R& D activities as a key factor that can contribute positively to the success in obtaining innovation, but R&D is not a requirement or prerequisite for success in the

innovation process, as it was suggested in the linear model of innovation. In our work, we also analyze the direct impact R&D activities can have on innovation results and even on firm's performance, as these activities could contribute to the achievement of radical innovations that provide a greater competitive advantage.

- *Policies supporting innovation*

Governments everywhere acknowledge the importance of innovation for long-term growth. This is most noticeable in countries where the easy options have been exhausted and future growth depends on more efficient ways of combining inputs or producing new or improved outputs. Governments can support innovation directly, either by funding public research or by encouraging private investment in research and innovation (for example through support for the transfer and spread of technology, support for venture capital, seed capital and R&D, and innovation-related tax incentives or incentives fostering cooperation between industry and science). They can also foster innovation indirectly, by providing a suitable environment for firms that are willing to invest and innovate. The policy mix should take into account potential externalities stemming from innovation by individual firms, as well as the degree of competition within the relevant sector. Most policy options will favor one sector over another, and some sectors may require specific interventions. This may force governments to make difficult choices, striking a balance between direct support for innovation and improvements in the general environment.

V. CONCLUSION

Innovation studies have gained prominence as companies, motivated by increasing competition, shift from dominant forms of bureaucracy and work specialization to flexible and lean 1 organizational structures (Suriyamurthi et al, 2013). However, successful innovation is not easy, and it depends on several factors. This study aimed to explore the determinant to affect the capability to innovate and the components of the innovative organization The results showed mean of the factors to affect organizational innovativeness.

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