

# Effects of Innovation Management on Organizational Performance-Special study on Businesses in Dharwad

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## ABSTRACT

**Introduction:** This article paper is introduce on organisations are increasingly experiencing dynamic and changing environments, and in order to survive, they are forced to adapt to environmental changes. In this regard, successful and efficient organisations are those, which can predict change in the future and adopt an appropriate innovation strategy to create the desired change for a better future.

**Review of literature:** This article paper is one of review of literature by Audenaert et al., (2019) innovation in the public sector and its impacts on organizational performance, there are several limitations in studying this relationship, given the scarcity of available empirical studies.

**Purpose of study:** The purpose of this article paper is to examine empirically the effect of innovation planning on organizational performance in businesses at Dharwad.

**Methodology:** This article paper used a survey questionnaire research design and quantitative methodology approach. The questionnaires were personally distributed to the respondents in the second week of March 2023 to July 2023. As the population size was 47 managers, the sample size was deemed sufficient at 32. Framework this article paper, there are two relationships between the independent and dependent variables: between innovation and organizational performance.

**Data analysis:** This article paper is analysis on demography and descriptive. Demography analyses are sex, age and experiences of respondents and descriptive analysis on the relationship between organizational performance and innovation by using of SPSS and Smart PLS.

**Conclusion:** This article paper concluded interesting results on the effect of innovation on organizational performance in businesses at Dharwad practices by different nature in other organizations.

**Keyword:** Innovation Management, Organizational Performance, Businesses, Dharwad

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## INTRODUCTION

Innovation is introduced as the basis of productivity and output growth, the key driver of labour productivity growth, the main source of social growth, the key factor in the dynamics of the industry in terms of composition and organisation, and the critical component to boost productivity and economic success of organisations. Innovation is the implementation of a new idea for an institution, system, process, approach, program, or a service that is considered a very recent one at the time of its implementation. Researchers consider innovation as one of the ways to improve the business status, and consequently, the economic status of a community. Organisations can focus on innovation to promote their own efforts. It has become an important part of business strategies, government policies and academic studies, and can take place in various areas such as the production, process, organisational structure and marketing.

In the past, organisations carried out most of their innovative activities within the company, protecting it as their strategic asset, and in some industries, the innovative ideas of companies were a gateway to the market. Although, innovation is key to the survival of an organisation, it has not yet been developed in most organisations. Innovation is one of the main drivers of long-term success in an organisation in a dynamic environment and helps it to cope with

environmental changes. To this end, innovation has become one of the main organisational strategies in responding and adapting to environmental change in order to discover and exploit new opportunities. This is because innovation leads to improved performance by introducing new products and services and administrative and managerial processes.

Nowadays, organizations are facing many challenges as a result of a rapid increase in new products, processes and technologies, as well as preferences of customers. Fluctuating environmental threats also compromise their survival. Success in such an environment would be more likely by enhancing organizational performance and paying greater attention to factors that can effectively improve it. Weak organizational performance can significantly reduce the potential to attract new customers while it's also destroying the trust of existing customers. The need to improve performance concerns not only the private sector but also includes the public sector.

The aim of this study is to investigate innovation and their effect on organizational performance on businesses in Dharwad , as very few prior studies are available on this topic. By investigating innovation, it is expected that the results of this research will be to contribute by spreading the boundaries of the body of knowledge. Several similar investigations have offered somewhat contradictory conclusions; no study has really provided a synthesis of knowledge on this phenomenon. Hence, this study gathers critical relevant evidence from prior research to fulfill its key goal, i.e. the impact of innovation on the organizational performance of the businesses in Dharwad, an impact that has often been ignored in empirical research.

## **REVIEW OF LITERATURE**

### **Innovation:**

O'Toole (1997) defined innovation as the adoption or generation of new ideas, objects or practices. It is a means for an organization to change, either as pre-emptive actions to affect the environment or in response to changes in the external environment. Therefore, the innovation here is generally defined as covering various components, including new organizational structures, new process technologies, new products or services or new programs or plans for an organization's employees.

Innovation in public organizations is receiving increasing academic interest. Case studies have focused on many fields, such as civic environmentalism (John, 1994), healthcare (Pillay & Morris, 2016), educational choice (Roberts & King, 1996) and policing (Bond & Gabriele, 2018; Menelau, Akutsu, Isidro-Filho, & Fernandes, 2019; Sparrow, 1994). The fundamental concentration of innovation in the public organization has been on methods and strategies to decrease or minimize the use of their resources and privatize government functions, not on the influence and effectiveness of innovation itself. Many researchers have pointed out the lack of attention to the effect of the set of innovations (Christensen & Lægheid, 2006). Thus, Damanpour (1991) recommended expanding the scope of innovation studies to include an evaluation of the consequences of innovation.

### **Organizational Performance:**

According to Kanji & Sa, (2007). Measuring performance in the public sector is nevertheless an integral part of the management process, to evaluate whether strategic objectives are being met, if any major problems exist, and how to solve and improve them in the future.

According to Morgan & Murgatroyd, (1994). Eskildsen, Kristensen, and Jørn Juhl (2004) public organizations at the present time consider the use of performance measurement as an important move toward service quality and providing value for money found that private and public organizations achieve excellent results in different ways; therefore, the results of studies on the private sector cannot be generalized to the public sector.

### **Relationship between Innovation and Organizational Performance:**

According to Audenaert et al., (2019); Damanpour et al., (2009); Walker & Damanpour, (2009). As for innovation in the public sector and its impacts on organizational performance, there are several limitations in studying this relationship, given the scarcity of available empirical studies.

According to Walker (2005) the performance outcomes of innovation, which, therefore, provides clues to uphold the idea that innovation may have different effects on several aspects of organizational performance, findings that reinforce the studies of on private and public sector innovation and their impact on organizational performance. Some evidence has been offered that even though success through innovation is not guaranteed and is risky, its adoption can promote organizational performance.

### **Purpose of Study:**

Main purpose of this article is:

- To examine empirically the effect of innovation planning on organizational performance in business at Dharwad.
- To investigate the effect of innovation components on organisational performance in business at Dharwad .
- To examine the role of innovative management on organizational performance in business at Dharwad.

### **METHODOLOGY**

This article paper used a survey questionnaire research design and quantitative methodology approach. In total, 15 questionnaires were distributed by drop-off to the targeted respondents in the Dharwad. Dharwad is a large organization with more than 2,700 employees. Dharwad was also the first department in the region that practiced these tools by establishing a total quality department that focuses and maintains quality and encourages innovation in all the Dharwad departments and stations. Based on that Dharwad were chosen as a scope for this study. Moreover, the SPSS software and the partial least square structural equation modeling (PLS-SEM) were used to analyze the data collected.

### **Measure the data:**

The questions on innovation were adapted from Pinar and Girard. Appendix includes a list of items used in this article paper. A five-point Likert scale was used to measure the responses, ranging from “1” (strongly disagree) to “5” (strongly agree).

### **Sampling Design and Data Collection Procedures:**

A drop-off questionnaire was distributed to sample 32 managers in the Dharwad. The original language of the questionnaire, translated into Kannada language by a Dharwad person. The Kannada version was re-translated into English by another Dharwad person, to detect any modifications and changes by comparing the two English versions.

The sampling method used was a proportionate stratified random sampling. The reason for using this method is the nature and hierarchy of the Dharwad, which has many general departments and police stations. This technique provides a sample that is highly representative of the population being studied and enables the researcher to generalize the results obtained for the total population. The selection of random samples was done using the Randomizer program available online and Microsoft Office Excel 2013.

Although the result of a priori power analysis in Figure 1 indicates a minimum of 32 participants would be needed for this study, to avoid the issue of low response rate, it became necessary to contemplate other means to determine a larger sample size. As the population size was 47 managers, the sample size was deemed sufficient at 32.

The questionnaires were personally distributed to the respondents in the second week of March 2023 to July 2023. The respondents were asked to complete the questionnaire within Five months, during which follow-up phone calls were made as reminders. After five months, the researcher collected the completed questionnaires; the remainder were considered as unreturned. Fifteen questionnaires were distributed and 12 completed and returned a 80 per cent response rate.

### **Research Framework:**

The framework contains of indigenous variables (organizational performance). In this framework, there are two relationships between the independent and dependent variables: between innovation and organizational performance. These relationships were hypothesized, as shown above, to test the conceptual framework of the study. The hypothesized relationship was based on the resource-based view that suggests organizations are able to achieve better performance through the effective use of their organizational resources and capabilities than are their competitors. Innovation is capabilities that can affect organizational performance.

### **DATA ANALYSIS**

All data collected were coded in SPSS. A preliminary analysis was conducted for the second stage of data collection, to ensure the results obtained were valid. The preliminary analysis includes screening for missing values, outliers and normality. The data were then analyzed using SPSS and SmartPLS. A two-step approach was applied: the measurement model and the structural model.

**Demographic Analysis:**

**Table 1: Participants' demographic information**

Demographic variable	Category	Frequency (N = 32)	(%)
Gender	Male	21	65.62%
	Female	11	34.38%
Qualifications	Under high school	1	3.12%
	High school	3	9.38%
	College degree	23	71.88%
	Graduate studies	5	15.62%
Experiences	0-5 years	8	25%
	6-9 years	7	21.88%
	10 years or more	17	53.12%

(Sources: Field survey on businesses in Dharwad)

Table 1 above shows the demographic information of respondents. Most of the respondents (65.62 per cent) are male and (34.38 per cent) are female. Qualification is classified into four categories. Most of the respondents have a college degree (71.88 per cent) or a postgraduate degree (15.62 per cent), which indicates good knowledge to test the proposed hypotheses; 9.38 per cent have only high school level and 3.12 per cent below this. Experience level is classified into three levels: 53.12 per cent of the respondents have experience of more than 10 years, the rest divided almost equally with 6-9 years (21.88 per cent) and 0-5 years (25 per cent). It is an advantage in this study to have received responses from such a high proportion of highly qualified and experienced employees.

**Descriptive Analysis:**

**Table 2: Descriptive statistics of the constructs**

Construct	N	Minimum	Maximum	Mean	SD
Organizational performance	32	1	5	3.653	0.608
Innovation	32	1	5	3.940	0.821

(Sources: Data analyzed using SPSS and SmartPLS)

Table 2 shows the results of the descriptive analysis. The highest mean is innovation (3.940) with the highest standard deviation. Organizational performance has the lowest mean and standard deviation of all the variables, which indicates a comparative lack of awareness about its role.

**Table 3: Construct reliability and validity**

Construct	Cronbach's alpha	Composite reliability	AVE
Organizational performance	0.784	0.859	0.604
Innovation	0.886	0.929	0.814

(Sources: Data analyzed using SPSS and SmartPLS)

Table 3 illustrates that all three values are above the recommended threshold. Discriminant validity is the measurement of which construct is totally distinct from other constructs. The high value of discriminant validity provides evidence that the construct is exclusive and captures some elements, which other measures do not display. It can be measured using AVE against the correlation square. The absence of multicollinearity occurs when AVE values are greater than the correlation square. However, any cross-loading between items is an indication that there is a problem of discriminant validity. Discriminant validity for this model was measured using Fornell–Larcker's criterion, as suggested. This technique suggests that the variance extracted estimates should be greater than the squared correlation estimate indicated for any two constructs (when compared with the correlation values from the row and column) and

needs to be larger than the square root of AVE. If the values represented by any result confirm these criteria, therefore, the framework developed to reach its discriminates validity, hence quality for further analysis.

### DISCUSSION

**Table 4: Discriminant validity**

<b>Construct</b>	<b>Innovation</b>	<b>Organizational performance</b>
Organizational performance	0.902	
Innovation	0.591	0.777

**Table 5: Hypothesis testing**

<b>Hypothesis</b>	<b>Bit</b>	<b>t-value</b>	<b>p-value</b>
Innovation and organizational performance	0.239	2.944	0.003

(Sources: Data analyzed using SPSS and SmartPLS)

Innovation is considered as the most important drivers in enhancing overall performance, and the effects of were examined in this study, with various results. The effect of innovation on organizational performance is positive and significant ( $b = 0.239$ ,  $t = 2.944$ ,  $p < 0.005$ ), This findings strongly support the RBV theory that innovation provide valuable insight into managers' role in applying these elements in their daily tasks, leading to competitive advantage, and hence, sustaining their business success. That is, the findings imply that innovation is an important driver of organizational performance as they can trigger the organization into innovative and proactive actions.

This article paper has implications for decision-makers in police agencies on how to deal with organizational resources and how to improve their organizational performance. As innovation is key in affecting organizational performance and an important source of competitive advantage, a special emphasis should be given to fostering an innovation culture in. The management must recognize the important role of strategic planning on business in Dharwad, which can lead to improving organizational performance. This means that these practices should be in place for such a culture to develop. That is, the decision-makers on business in Dharwad need to recognize the potential of innovation practices in adding value to their businesses. Therefore, it is expected that the new empirical findings of this article paper can serve to the management on business in Dharwad by considering them.

### CONCLUSION

This article paper has focused on the effect of innovation on organizational performance in businesses at Dharwd. Hence, this study could be extended to other organizations in both the public and private sectors. Studying such model that combines these practices in other organizations particularly that manufacturers by nature could be concluded interesting results. The cross-sectional approach was used to collect the data at a point of time. Because of the complicated joint impact of innovation on organizational performance, longitudinal research could be used to clarify and explain the complicated relationships over a long period. This approach can detect the changes in the association among the variables through over time. Another limitation of the study concerns the research design, which restricted the researcher to detect the dynamic associations between the variables over time.

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