Creating favourable contexts for nurturing and managing innovations in organisations

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Baltic Business School
To our parents and grandparents

Without their support this unforgettable year in Kalmar would not have been possible.

_Siegmund Adanitsch
Olga Jevdokimova

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Abstract

This thesis gives an overview about innovations in organisations as well as the importance of a favourable organisational microclimate for the enhancement of creativity and innovation. Generating ideas is always a very fragile process for any organisation engaged in innovative activities. In order to support good and successful ideas the companies have to have a favourable organisational microclimate. This microclimate is discussed against the background of certain conditions which organisations or rather companies should obtain in order to prevail innovations and cope with them in a successful way. The main focus of this thesis is on the conditions, which can favour and support the process of emerging innovations. The conditions are teamwork, management participation, effective communication and information flow, as well as innovative culture. During the different chapters however, some interrelations can therefore be seen. Furthermore nine interviews with three different innovative Latvian companies support our theoretical framework of this thesis, how the different conditions are interrelated with each other in practice and their occurrence in the different companies.

In the end a discussion about the results is started, where it can be seen whether more conditions emerged.

Keyword(s): innovations, organisational microclimate, teamwork, management participation, communication, innovative culture
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1 Introduction

The introduction chapter provides information about the background of the study in which several ideas and definitions about innovations are presented. The aim of this chapter is to throw some light upon the research issue and finally, more attention will be drawn to the importance of the study. In this section the reader is introduced to some basic issues that will be developed more in the theoretical framework.

1.1 Background of the study

Innovations play an important role in the life of companies. This statement is almost an axiom, which, as we know, does not demand the proof. There are various meanings that can be depicted from different scientists, as regards the definition of the term innovation. According to the Oxford’s Dictionary of Business and Management the term innovation is defined as:

‘Any new approach to designing, producing, or marketing goods that gives the innovator or his company an advantage over competitors.’ (Oxford Online Reference, 2008)

A convenient definition of innovation from an organisational perspective is given by Luecke and Katz (2003) in their book Managing Creativity and Innovation, which was published by the Harvard Business School Press, where they wrote:

‘Innovation ... is generally understood as the introduction of a new thing or method ... Innovation is the embodiment, combination, or synthesis of knowledge in original, relevant, valued new products, processes, or services. (Luecke and Katz 2003, p. 2)

According to Gale’s Virtual Library we can mention another definition of the term innovation. This quotation emphasizes a lot on the importance that the whole company is responsible for coming up with innovations:

It is important to include the whole company in the innovation process, because the germ of idea can come from anywhere, and the best ideas often grow out of a combination of functional areas (Gale Virtual Library 2008).
With confidence we can say that almost every company faces innovations with one or more characteristics, initially or at a later stage of development. In order to survive and sustain the market position, companies need to be competitive, hence taking the route towards innovations is one of the solutions for this cause. In our perception innovations are necessary for a company’s survival, preservation of competitiveness and the further prosperity. In our opinion, countries and companies, that successfully take the route towards innovations can beat the competition and hence enjoy a “huge cake” on the market share.

Later on in the theoretical part, we will talk a little bit more about “what innovations are”, but in order to create a good understanding, we believe that it is necessary to have a prior definition of innovation.

In turn, the innovation process is divided into three major phases: initiation, adoption and implementation of new ideas or activities in an organisation setting, which is reviewed in terms of organisation context, structure, and member attitudes (Pierce and Delbecq 1977). All three phases are connected with each other and one follows the other. That means that without the second phase, there is no third one and without the first phase there is no second one. The most difficult thing is not only to start the process, but also to start it from the right track. That is why the first stage is playing such a crucial role in the innovation process. In this stage the organisation can face the problem of how to cope with innovations. Moreover, they can face the question of creating a certain microclimate in an organisation to foster innovations during the innovation process. Regarding the different stages of innovations it is important that everybody is aware of the issue that the first stage of the innovation process is strongly connected to the organisational microclimate. Therefore it is necessary that the stages are going to be mentioned. In the theoretical framework of this thesis, the exact theoretical part about innovations will be more about this issue, that the microclimate is related to the first stage of the innovation process.

1.2 The research problem

The research problem that is important for our topic is to describe the organisational microclimate, where innovations can grow within the company and how the organisation is able to react to it. As it already has been discussed in the background of the study, it is important for innovations to have a certain climate. According to some major articles (Ramsey 2003 and Sanford 2006), it is necessary to create a good microclimate within companies in order to gain a sustainable competitive advantage in the near future.
In our opinion, we believe that if companies are working with innovations they will have to be aware that changes within the structure could occur, which is really not an easy process. Companies have to pay attention to several key characteristics when they try to be innovative. It is not done by just being creative to come up with fresh ideas and so forth. The innovation process and everything that supports the innovation process is very complex. In our point of view, it requires flexible organisational structures and the willingness of the company to do everything to be innovative. The main point of the research is that without a good microclimate, which fosters innovations in companies, it will be very difficult be able to compete with others and of course achieve own expectations. This means that the company has to achieve its own goals and objectives, and hence realise steady and desired changes and developments. It has to be the goal of the organisation to be more innovative than other companies but it is wisely to develop the own company as well or rather to develop the innovations. This development is only possible with a good environment for innovative products within the company.

By doing this research, the explanation of why the favourable contexts for innovations are important. The description of the process of creating a good microclimate for innovations in an organisation will be also discussed in the empirical part.

1.3 The research issue and the purpose of the study

The main research issue and purpose of the study can be found in the following paragraph:

Describing the behaviour of organisations or rather companies during the innovation process and understanding the importance of creating a favourable microclimate for organisations, where innovations can occur.

The aim of this thesis work is more an overview about the importance of the organisational microclimate and its importance during the innovation process. It should be illustrating the required conditions for being innovative or having a favourable climate. It can be seen from our research issue above that creating a good microclimate is strongly connected with the process of change. Some companies are supposed to change in order to reach their goals, hence the need for becoming innovative.

On the other hand, in order to understand the research issue, which means to be aware of the importance of the issue of a favourable microclimate it is necessary to understand the organisa-
tional structure, because without this understanding it is almost impossible to be successful. Furthermore it is strongly required that the whole organisation or rather company has the same understanding of what is being required. There should be a shared definition of being innovative and also a shared definition for the microclimate in order to be successful (Ramsey 2003).

1.4 The importance of the study

Innovations play an important role in company’s daily life as it has been already mentioned in the background of the study. Without innovations companies are not able to take part in the competition, which is going on in the business world. In order to be competitive, therefore it is required that companies have continuous innovations (Ramsey 2003). Through these continuous innovations within the company it is possible and necessary to gain a sustainable competitive advantage. The issue about the phases of innovations will be discussed later on in the theoretical part about innovations. But for now we can say that the phases are influencing the microclimate and therefore it is important to mention them.

To be able to go through these stages and to come up with innovations there is a need for having them. Before companies are able to come up with innovations it is necessary that they know something about how to foster innovations. The importance in this study is to get some knowledge about the necessity of creating a good microclimate within the organisation in order to be innovative. Only if the company has favourable contexts for nurturing innovations it will be possible to come up with a successful innovative procedure.

Within today’s business world, the importance of the microclimate has had a steady growth and strength, in comparison to earlier years. It is required to come up with innovations and without this good microclimate it is not possible to be that innovative in order to compete.

By summing up the importance of the study it is necessary to be aware of this topic, which has such a strong influence on the company’s performance. Innovations – everybody talks about innovations but the most essential thing of this term is that the organisation has to behave in a certain way before, in order to be able to innovate. The behaviour of the organisation is the issue, where this thesis is aiming at. Without the company’s behaviour and the willingness to create this microclimate innovations are more likely to fail.
Chapter 2 is divided into two main sections. The first section provides general information about innovations in organisations. The focus of this section is to give an overview about different perspectives on the concept of innovations. The additional objective is to provide the reader with information about the different phases and types of innovations in order to get a fair idea about the role of innovations in organisations. The second section is focused on the organisational microclimate. The aim of this section is to give an overview about conditions that can favour the climate within organisations before and during the innovation process.

2.1 Innovations in organisations

2.1.1 What is an innovation?

In our perception the topic about innovations is related to introducing something new. However, the term new does not have to be related to a new product. It can be a new method for making new products. It can be a new technology that makes it easier to develop a new product. Innovations can appear everywhere they are not restricted, e.g.: services, new technologies, new devices and of course new products.

"Innovation ... is generally understood as the introduction of a new thing or method ... Innovation is the embodiment, combination, or synthesis of knowledge in original, relevant, valued new products, processes, or services" (Luecke and Katz 2003 p. 2).

This definition explains the importance of something new. As it can be seen, innovations display – in our perception – that the companies use something new for being more successful and competitive in the industry.

Luecke and Katz mention that innovations can be different services as well. It is not obligatory that products should be new. Services can be innovative as well, e.g.: if the company helps the buyers with installing the product and does not charge this service, or online services. A service is innovative if the company is the first one which offers this service. If this company is the first one then – of course – it is possible to gain a competitive advantage and this should be the first priority by being innovative.
"Innovation, like many business functions, is a management process that requires specific tools, rules, and discipline" (Davila, Epstein and Shelton 2006, p. xvii)

To make sure that, innovations will work out and that the company is able to come up with innovations it is very important that there are rules within companies. As in many situations of the daily business life, rules are the key for success. It is difficult to come up with good ideas and later on innovations without a structure.
Guidelines are necessary and important in order that the employees within the company are aware of them and then it is easier to foster creativity and later on innovations.

“In today’s global economy, continuous innovation is not an option. It is survival” (Ramsey 2003 p. 5).

After this definition it may seem that innovations are more than important. Being only innovative is not the recipe of success.

In today’s business world innovations are necessary for the company’s survival, it can be said that they are the driving force for them.

Sometimes the words creativity and innovation are used in the same context. In addition to this it should be said that creativity and innovation are not the same or rather they cannot be used interchangeably (Davila, Epstein and Shelton, 2006):

Sometimes the terms creativity and innovation are used within the same meaning. Creativity on the one hand implies generating ideas and innovation on the other hand is the transformation from the creative ideas into successful products or services (Davila, Epstein and Shelton 2006).

Being creative on the one hand is inevitably necessary to be innovative on the other hand. Without creativity the process of nurturing innovations and coming up with them could be a challenge or even impossible. These two terms are very similar but in the same way they are different.

Innovations have their roots in creativity and if the companies are not creative the innovation process is not possible. On the other hand Amabile et al (1996) states that innovations involve creativity and that they need each other:
"All innovation begins with creative ideas... We define innovation as the successful implementation of creative ideas within an organisation. In this view, creativity by individuals and teams is a starting point for innovation; the first is necessary but not sufficient condition for the second" (Amabile et al 1996 p. 1154-1155).

The authors state that creativity is necessary for coming up with innovations or rather that it is a starting point but creativity without anything else is not enough.

To open the term innovation a little bit more, we would like to mention the concept of Schumpeter and later on the attention will be drawn to Michael Porter and the importance of innovations for a competitive advantage.

The most common definition about innovations has been developed from the famous Austrian economist Joseph Schumpeter. He states that innovations include five different “cases” (Web and Macros, 2008):

1. Introduction to the market of a new product or service, which clients are not still familiarized with it
2. Introduction of a new methodology of production or an organized methodology
3. Creation of a new source of supply of raw material or semi-elaborated products
4. Open a new market in a county
5. Put a new structure in a market

The main arguments where all the authors of the innovation literature agree is, that if the innovation is not successful on the market or it has not been accepted by the customer the companies cannot talk about innovations. On the other hand it should be mentioned that if the innovation is successful, it does not mean that it is accepted on the market. In addition to this it should be said that innovations are the key elements of successful competition (Web and Macros, 2008). Michael Porter relates the issue of innovations to the maybe most well known statement in the management literature – the competitive advantage. Porter states that:

"Competitiveness of a nation depends on the capacity of its industry to innovate and improve. Companies get advantages if they can innovate" (Web and Macros, 2008).

The issue of being innovative is strongly related to the competitive advantage. Companies should keep in mind that innovations play an important role and that it is necessary to have a sustainable
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competitive advantage for being successful. Through innovations it can be easier to achieve a sustainable competitive advantage, which provides a successful competition for the companies within the industry.

In this paragraph the two different categories of innovations will be discussed, whereas the different types of innovations will be discussed later on in this chapter.

The two different categories of innovations are the following (Business Dictionary, 2008):

- **Evolutionary innovations**
  - Continuous innovation in slightly changes of the product
  - Dynamic continuous evolutionary innovations – but they require user-learning

- **Revolutionary innovations** (discontinuous innovations):
  These innovations disrupt the routine of the staff, e.g.: the personal computer, the Internet and the photocopier. These revolutionary innovations are a risk for the companies and they require a big risk-taking potential.

Innovations are ideas and they are translated into goods or services and people must be willing to pay for it. These goods must replicable at an economical cost and of course they must satisfy a specific need.

After all this general information about innovation it is very important that everybody keeps in mind that without a good microclimate innovations are hardly possible. Later on during more insight about the microclimate will be given, but right now it is necessary to be aware of the microclimate and its relation to the innovation process and its implications.

**2.1.2 The nature of innovations**

It is highly important that the nature of innovations is being understood from the companies. Innovations are risky and the potential of failure is relatively high. In order to prevent the innovations failure, a good microclimate is necessary but more about this topic will be discussed, of course to this thesis research.
Innovations are often the first step to success (Encyclopedia of Small Business, 2008), but before they can be successful, a good microclimate should be achieved in order to come up with successful innovations. On the other hand innovations require a good network within the company as well, so that they can grow and become successful in the long run (Encyclopedia of Small Business, 2008).

Another issue that requires a good understanding of the nature of innovations is that organisations or rather companies are supposed to innovate effectively (Encyclopedia of Small Business, 2008). Without such effective innovations it could be the case that the companies destroy themselves because they do not pay enough attention to the importance of the issue of an effective innovations process (Encyclopedia of Small Business, 2008).

Innovations are a necessary factor in the business world and they are important for all companies. To conclude the nature of innovations, we would like to draw the attention to the importance of innovations within the global economy. The global economy needs innovations, new technologies, new services etc. in order to establish a successful competition (Encyclopedia of Small Business 2008).

**Importance of innovations**

To clarify the importance of innovations it is necessary to come up with three essential questions:

- Why are innovations important?
- What happens if the company does not innovate?
- Why are innovations such major factors?

**Why are innovations important?**

Why are innovations important? This question is a crucial one. Why should we innovate? Even though, if the company is successful it is required to be innovative and to come up with innovations. In the following issues it will be illustrated why it is important to come up with innovations (John Stark, 2008):

- Advancing and developing technology
- Changing environment
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- Changing industry structures and strategies
- Evolving society
- Evolving customer desires
- Competitors improve their products, services and processes
- Customers do not buy old products anymore. They do not accept old services, so the companies have to replace them with new products and services.

After mentioning these issues it may be a little bit clearer why it is so important to have innovations in the companies. Customers in particular, play an important role in the company’s choices. If the customers are not satisfied with the old product the companies should replace them with their new ones. For example the electronic industry is a fast changing industry. All the time new products appear on the market and the customers have the choice. They are likelier to buy the latest product – to be up to date and so forth.

Another crucial aspect, which is playing an important role, is the changing environment and the advancing technology. The technologies are developing from day to day and therefore it is important for companies to be open for them and to apply them as soon as possible and then innovations are likelier as before.

The changing environment is another aspect that is important. In today’s world everything changes all the time. As it has been mentioned in the introduction, changing processes are never easy. Especially through the changes it is necessary to be open-minded towards innovations and to accept them. Trying to come up with as many as possible is essential in order to stay competitive and successful.

What happens if the company does not innovate?

This is maybe a good illustration for the consequences if a company is not able to come up with innovations or the company just does not want to be innovative because they are successful right now. In the following paragraph some consequences will be illustrated if the company does not have any innovations (John Stark, 2008):

- Customers stop buying your products, processes and services
- Sales drop
- Revenues drop
Creating favourable contexts for nurturing and managing innovations in organisations

- Shareholder returns drop
- Stock price drops
- Key employees leave
- More customers stop buying your products, processes and services
- Sales drop

If the companies are not able to offer new products or services to the customer the mentioned above consequences will become crucial reality for the companies. In the short run it may not be a big problem but later on in the long run these consequences can become more serious and the companies will get big troubles and unavoidable problems, until they may have to close their business completely.

Again, the customers play a role of choosing the direction, they choose the products and if the companies are not able to offer the latest technologies and products to the customers they will go to the competitor and buy their products there.

Why are innovations such major factors?

To illustrate it better, some statements will help to give an overview about this question (John Stark, 2008):

- Technology is changing fast, new products come from new competitors
- Fast changing environment, product lifetimes shorter, need to replace products sooner
- Products are increasingly difficult to differentiate
- Customers are more sophisticated, segmented and demanding, and expect more in terms of customization, newness, quality and price
- Customers have more choice
- New technologies no-one understands
- Apparently separate technologies come together
- Markets forming and changing fast
- With markets and technology changing fast, and good ideas quickly copied, there is continual pressure to devise new and better products, processes and services faster
As already answered – or partly answered – in the part of “Why are innovations important?” it is mostly about the new technologies and the changing environment. This issue will be more and more topical so the companies should pay enough attention to this and that innovations are getting more important as well. The next issue that already has been discussed partly is that the consumers have more choice and the competition is getting tougher as well. Companies, in order to stay competitive, have to innovate and they have to adopt the changes as soon as possible.

Product differentiation is getting harder and therefore innovations are necessary. In some cases only the colour will be changed and so forth but these processes are more difficult as before. Differentiating the products among the several manufacturers is getting difficult because to change small features is not enough anymore.

**Failure of innovations**

It should be said that innovations are not successful all the time. There are cases where the innovation fails on the market. Innovation killers could be the following ones (Innovation Network Thinksmart, 2008):

- Not creating a culture that supports innovation
- Not getting buy-in and ownership from business unit managers
- Not having a widely understood, system-wide process
- Not allocating resources to the process
- Not tying projects to company strategy
- Not spending enough time and energy on the fuzzy front-end
- Not building sufficient diversity into the process
- Not developing criteria and metrics in advance
- Not training and coaching innovation teams
- Not having an idea management system

As it can be seen from the “Innovation killers” it is important to establish rules for the company and where they can see what to do. Some conditions should be created for a successful innovation process and for a successful implementation of innovations.

These conditions can be named as a favourable microclimate and the focus of this thesis is the microclimate for innovations. Later on in this thesis work the conditions for creating a good mi-
croclimate can be seen. Without these conditions it is hardly possible to implement innovations successfully and some of the mentioned above failures are connected to the microclimate. The culture within the company is not innovative enough – innovative culture and the teamwork and the importance of every employee did not work out as expected but this will be explained in the chapter about the organisational microclimate.

2.1.3 Types of innovations

Regarding the different types of innovations two different angles can be viewed. We would like to discuss two different sources of how innovations can be classified. The first source would be the following one (Web and Macros, 2008):

Type of application:

- Innovation of the product
- Innovation of the process

Grade of their originality:

- Radical innovation
- Increase innovation

An innovation of the product occurs if it is technically different and it is recognized as an innovation if the characteristics of the product change (Web and Macros, 2008). An innovation of the process occurs if there is a change within the technology. Through changes the process will be much easier.

A process innovation can be the case also if there are changes within the organisation (Web and Macros, 2008). The next explanation is made for the distinction between radical and increase innovations. The term increase innovations can be defined that products or services will be improved. It could also be the case that the methods for developing the product can be optimized. Contrary is the term radical innovations. Radical innovations could be explained that completely new technologies are going to be established or rather they will be combined with the old ones. The big difference is that there are no improvements being done.
We will present another classification of innovations of this thesis in the following paragraphs. This distinction between different types of innovations is more comprehensive than the previous one. It illustrates the types more understandable (Answers Corporation, 2008):

**Business model innovations:**
The business model shows where the company is active – in which areas. Throughout the business model it is possible to see, where the different revenues come from. Regarding innovations, which are related to the business model it can be mentioned that the company changes its way of doing business (Answers Corporation, 2008).

**Marketing innovations:**
Marketing is one of the companies’ most important departments. They have to cope with selling the product or rather makes it most attractive for the customer, so they buy it. Marketing innovations can affect hereby the 4 P’s (products, price, placement and promotion). Of course new products can be developed that are more attractive for the customer. Within the promotion sector many alternatives are possible, e.g.: flyers etc (Answers Corporation, 2008).

**Organisational innovations:**
Organisational innovations are maybe the most difficult ones for companies. The companies change hereby the structures, internal processes and the marketing. Process and marketing innovations play within this special kind of innovation an important role. The readers have to see them in context to each other (Answers Corporation, 2008).

**Process innovation:**
A process innovation appears if the technology is being improved and the process is being made easier. On the other hand process innovations can appear also within the organisation and make the whole procedure or rather process more efficient and easier (Answers Corporation, 2008).

**Product innovations:**
A new product or rather good is being introduced from the company to the customers. It may have a new colour or just new adjustments. Some characteristics that may the new product have could be new functional characteristics, easier to use or new technical abilities (Answers Corporation, 2008).
Service innovations:

These innovations compared to products or process innovations do not have such an involvement in technological changes, they are more interactive and are about more informative for the customers (Answers Corporation, 2008).

Supply chain innovations:

Supply chain innovations may be less important for the customers compared to the companies. The firms can benefit a lot from these innovations. The supply chain can be shortened for the firms. Supply chain innovations can occur in the sourcing of input products from the suppliers and the delivery of the products to the consumers (Answers Corporation, 2008).

Substantial innovations:

Substantial innovations would be new products within the same line, which means it is a further development of an already existing product (Answers Corporation, 2008).

Financial innovations:

"New financial services and products are developed, by combining basic financial attributes (ownership, risk-sharing, liquidity, credit) in progressive innovative ways, as well as reactive exploration of borders and strength of tax law. Through a cycle of development, directive compliance is being sharpened on opportunities so new financial services and products are continuously shaped and progressed to be adopted. The dynamic spectrum of financial innovation, where business processes, services and products are adapted and improved so new valuable chains emerge, therefore may be seen to involve most of the mentioned above types of innovation (Answers Corporation, 2008)".

Incremental innovations:

Incremental innovations can be explained as increase innovations, as already mentioned in the paragraph above.

Breakthrough innovations:

Breakthrough innovations can be explained as radical innovations, as already mentioned in the paragraph above.

The only very important point for these two types of innovations is that a distinction is very hard in practice. Everybody should keep in mind, that such a distinction could be done easily in theory but in practice this process by far harder as it seems.
New technological systems (systemic innovations):
New industrial sectors can be risen up and big changes between several sectors can be made (Answers Corporation, 2008).

After reading about the different types of innovations the attention will be drawn in the next part of this chapter to the different phases of innovations and their importance for a favourable microclimate for innovations.

2.1.4 Phases of innovations

Regarding the different phases of innovations it is necessary to be aware of the existence of different opinions of the literature about the phases of innovations. To illustrate this phenomena better, we decided to mention different opinions of several sources. With regard to the topic of this thesis “creating favourable contexts for nurturing and managing innovations in an organisation” the first stage of the innovations process will be described further, because it shows the importance for this thesis.

The first point of view, which will be described, is from Weyrich (Encyclopedia of Small Business, 2008). Weyrich mentions three different phases throughout the whole innovation process:

- Invention phase
- Implementation phase
- Market penetration phase

Within the first phase, the invention phase, a lot of ideas are going to be generated to have plenty of alternatives for selecting them. It can be more or less explained like a brainstorming, ideas will generated without paying too much attention to the consequences. In the second phase, the implementation phase, it is important to select the most appropriate ideas, where the companies see potential to become a successful innovation. The ideas, which are going to be selected, will be developed further and then realized.

In the last phase, which is called market penetration phase, the ideas which have been developed further are being put on the market and a commercial gain will be tried to achieve. After these
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three phases the process starts again, because the innovation process is an ongoing one with feedback loops, which means that improvements are being done all the time. Finally it should be said this all the phases are following each previous phase. So without the second phase there will be no third phase and so on.

In turn, according to Pierce and Delbecq (1977) the innovation process is divided into three major phases:

- Initiation phase
- Adoption phase
- Implementation phase

This is reviewed in terms of organisation context, structure, and member attitudes (Pierce and Delbecq 1977). The most difficult thing is not only to start the process, but also to start it from the right track. That is why the first stage is playing such a crucial role in the innovation process. In this stage the organisation can face the problem how to cope with innovations. Moreover, they can face the question of creating a certain microclimate in an organisation to foster innovations during the innovation process.

According to Robert D. Ramsey (Ramsey 2003) five different stages of the innovation process can be mentioned:

- Planning Stage
- Implementation Stage
- Evaluation Stage
- Fine-Tuning Stage
- Routinization Stage

As it can be seen from the mentioned above stages it is true that an innovation becomes routine and then this process starts again, which means it is an ongoing one. The concept of innovation also includes that the organisation is setting up limits regarding the number of innovation (Ramsey 2003). Too many innovations in a company make the organisation not that flexible anymore.
and success will not be guaranteed. According to Ramsey it is important to concentrate on a few innovations in order to implement them in a successful way (Ramsey 2003).

After mentioning these phases it may seem that the companies can just divide the innovation process into phases. It is not that easy in practice. Sometimes it is hard to draw a line between the different phases and we are aware of this issue. For illustrating the issue for a good microclimate such a distinction is needed because it is necessary to describe the first phase of the innovation process more.

In the very beginning some essential characteristics regarding the microclimate appear and therefore the phases are needed in this case.

Regarding the first phase of the innovations process three important issues are essential for coming up with innovations (Hargadon and Sutton 2000):

- Capturing good ideas
- Keeping ideas alive
- Imagining new uses for old ideas

These three important issues play a necessary role throughout the first phase of the innovation process. With the term capturing good ideas is meant that even though it was a successful idea companies should use them later on as the primary raw material (Hargadon and Sutton 2000). Old ideas should be seen a source for new ones, because they can help throughout this critical phase to come up with new and fresh ideas. Keeping ideas alive is another very important issue during the innovation process. This issue is essential and also strongly related to favourable contexts for innovations within a company. It is very important that companies allow themselves to pass around the ideas, that every employee has the chance to influence the ideas in some ways and maybe improve them (Hargadon and Sutton 2000). The employees should be able to have some impact on the ideas for upcoming innovations, which means the ideas should be spread within the whole organisation.

Imagining new uses for old ideas is the last issue but not less important than the others. It is important that the companies keep in mind that old ideas are not useless anymore. They should be kept for later on, because the ideas can be seen in a completely new context and they can lead to very successful innovations in the long run. Old ideas, which have not been successful in the past, should not be thrown away. Old ideas should be captured instead for maybe a later use (Hargadon and Sutton 2000).
The theoretical part of innovations is strongly connected to the organisational microclimate. However, it can be seen as an independent and necessary issue. In order to come up with innovations, the microclimate is an essential requirement. We made some assumptions regarding the conditions for a favourable microclimate in organisations, and throughout the empirical part of this study, it could be seen, how important they are.

*Which conditions make innovations possible or rather allow the companies to come up with innovations?*

An answer to this question can be found in the next chapter, where these conditions are explained more in detail, in order to get a fair idea about a favourable microclimate in organisations.

## 2.2 Conditions for a favourable microclimate in an organisation

From most of the literature, which deals with creating a favourable microclimate for innovations in an organisation, it can be seen that the following characteristics are most important (Koc and Ceylan 2007):

- The importance of teamwork and the involvement of every employee
- The importance of management participation
- The importance of effective communication and information flow
- The importance of an innovative culture

### 2.2.1 The importance of teamwork and the involvement of every employee

In the main literature, it is stated that innovative companies or rather organisations that are successful are very much focused on teamwork. To be innovative is a business of everybody, it is not only for the top and senior management (Ramsey 2003). In order to create such a situation, where everybody is obliged to be innovative, it is first of all required that a shared definition is being established. Developing a shared definition and clear expectation is the first step in creating a climate of originality and creativity (Ramsey 2003). In addition to this, it is also necessary that
one, as a leader enables everybody to be active and to give the employees the permission to be creative. It is important that everybody in the company is aware of the fact, that nobody has a monopoly on imagination (Ramsey 2003).

As mentioned in the theoretical part about innovations it is important, that the ideas, which have been generated before are accessible for everybody. The employees should be able to make improvements, play around with the ideas and pass them on to other employees (Hargadon and Sutton 2000). Through this atmosphere in the companies the employees are encouraged to contribute something during the innovations process.

According to another article (Rees 2007) it is important to create a good organisational climate in order that teamwork can be possible. To make innovation processes successful Rees is in favour of focus groups, which means to hire selected individuals in order to get fresh input from them for this special topic. Hiring “professionals” can be a successful way for the company. So they can benefit from the mentioned above selected individuals. In the short run this solution can be very successful because they may provide the companies with fresh ideas and so forth. However, in the long run this possibility can be dangerous, because the companies do not involve their own employees.

In the article “Let go to grow – get people to collaborate” (Sanford 2006) it can be seen that teamwork is by far the most important issue. According to Sanford it is very important to exchange ideas, collaborate and discuss the ideas. Only with these important “ingredients” for teamwork it is possible to overcome the barriers of creative thinking and this will lead companies more or less to innovations. Teamwork is very important within the innovation process and this necessary issue fosters innovations as well (Sanford 2006). Moreover Linda Sanford discusses that it is not easy to find people to collaborate with and also that it is not easy to work within a team. However, most of the literature states that teamwork is one essential characteristic for organisations to be innovative, vital and also likely to overcome the organisational changes, which can occur during the innovation process.

In our perception teamwork is one of the most important ingredients for creating a favourable microclimate. The employees work independent, they will be still monitored by the top management and they do not have that much pressure within the teams. The climate within the teams can be more vital and the process of generating ideas is therefore much easier. As mentioned before, everybody within the companies or the teams should be able to add something to the ideas or to improve them. Through the atmosphere within the teams it is easier to pass on the
ideas and to let them emerge, grow and develop. Therefore it is important in our perception to allow teamwork within companies, because it can be an essential issue during the innovation process and the organisational microclimate will be improved.

One disadvantage or a negative aspect regarding the teamwork could be, that because the team members work very independent if they are “forced” to come up with ideas and in the long run with innovations, it could be the case that they work around the clock, which means almost all day long. It is not all the time such a pressure, but for a better understanding and awareness of teamwork this aspect should be mentioned (Amabile, Hadley and Kramer 2002).

Citing from another relevant source we analyzed a special report on management innovation (Birkinshaw, Crainer and Mol 2007). The three authors state that the employees should come first, which means that the management should focus more on the employees. If the management does not follow this approach it could be according to Birkinshaw, Crainer and Mol the case that all the innovative activities will fail. During the innovation process the companies are often too much focused on the products or the services, where they would like to come up with innovations. However, the employees are also important during this process. The report states that the employees should come first (Birkinshaw, Crainer and Mol 2007). “Employees first, customers second. The scarce resource is not customers, it is great employees, so they should be made realized that someone’s company is a great place to work and then they will deliver value (Birkinshaw, Crainer and Mol 2007, p. 84).” According to this statement it is clear that Birkinshaw, Crainer and Mol are keen on the importance of every employee. The employees have to realize that the companies, where they are working are the best. If they show their commitment they will come up with great ideas and the symbioses between the management level and the employees is valuable. The companies or rather the organisations have to create such an environment for the employees that they feel comfortable and they are willing to show their commitment.

The way to create the conditions to be able to come up with innovations and to get innovative is a tough one. According to this statement the authors would like to draw the attention to another source regarding the team and involvement of every employee. “Tough-minded ways to get innovative” (Pearson 2002) is an additional source, which provides some more information regarding the microclimate. If the companies require innovations, and they do, the CEO is supposed to spread the word, setting up goals, measuring the progress and so forth. Innovations need specific people for specific tasks (Pearson 2002). The author of this article is pointing out, that every em-
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employee is important, which means innovations need the following persons in order to be successful (Pearson 2002):

- Champions, who believes in the ideas, has a critical opinion and pushes them ahead
- Sponsor, who is monitoring the money, the time and so forth
- Good mix of people, which means idea generators and operators, to make innovations reality

As it can be seen it is required that every employee is active and through this activity a good microclimate can be created and successful innovations can be the result.

Additionally we would like to present another opinion regarding the teamwork and involvement of every employee in the following paragraph. During the process of making innovations, employees should be given plenty of room and time to make mistakes and to create new ideas (Peebles 2002). It is important for the employees to be allowed to make mistakes. Only if they lose the shyness to do something wrong, real innovations in the long run and creative ideas in the short run can occur. Moreover it is very important, that the companies mix the people in a team (Peebles 2002). They should come from different departments, different levels that there is a good balance for generating ideas. However, in very hierarchical organisations or rather companies this could be the toughest challenge because it is very difficult to get persons from different levels to work together (Peebles 2002).

Effective teamwork is not all the time a matter of the organisational culture, which means it requires also a high degree cross-functional cooperation and the commitment of key internal and external functions. The characteristic of teamwork is strongly connected to the management participation and effective communication. In the following characteristic we will draw the attention more to the importance of management participation and later on to the effective communication and information flow. Furthermore the attention will be drawn to the importance of management participation and later on to the other characteristics of a favourable microclimate within organisations.
2.2.2 The importance of management participation

In the upcoming part about the management participation it will be mentioned that there is symbioses between the management level and the employees. The staff should be encouraged to be innovative. Some theoretical issues about the management participation will be presented as well as some practical implications and practical advice. Innovations, according to most of the literature, can only emerge if management level and the employees in an organisation work together. It should not be a process where only the top management is active or the other way round.

According to Lew Platt, HP’s former CEO, it is the task to encourage the staff, to come up with innovations, to motivate them, to take risks and so forth. It should be more likely that the top and senior management encourages the staff instead of come up with innovations on their own. After more examination whether the innovation is suitable or not, it is required that the information flow is good and the channels of communication are working, which will be more examined in the next concept. Lew Platt mentions in the interview that the “Senior management’s role is not to tell business units what opportunity to take. Instead, our role is to create the environment that encourages business managers to take risks and create new growth opportunities. In other words, vision at HP is not a straitjacket that constrains our managers, but rather a view of the many opportunities ahead” (Sheridan 1994, p. 26).

This statement by Lew Platt can be seen that the management level is more an assisting force rather than a driving one. The staff should be enabled to work in a good environment in order to be able to take risks and create new opportunities. The entire company of HP is looking continuously for innovations and the whole climate is created for being innovative. Because of this issue the mentality within the company is very positive towards innovations. Lew Platt mentions another statement in this interview that “Creating innovative products and solutions is an HP hallmark. It’s why we have done so well. HP managers are expected to create an atmosphere where their staffs can be as creative as possible and where innovations can flourish…” (Sheridan 1994, p. 28). The employees should feel comfortable within the company. The goal is that the employees are as creative as possible, which means that they come up with ideas but on the other hand it is their task to transform these ideas into successful innovations. After mentioning these facts, that there is a symbiosis, as already mentioned above, the most important issue is that the management level creates a favourable climate where the employees are more likely to be successful throughout the innovation process.
According the article “Creating the climate and culture of success” (Schneider, Gunnarson and Niles-Jolly 1996) there are several issues, which makes management participation necessary or creating a favourable microclimate through management participation:

- Perceptions of fairness and trust
- Norms of helpfulness and cooperation
- Fair reward systems based on broad contributions
- Earning employees’ trust is essential to employee commitment
- An atmosphere of reciprocation and cooperation establishes a culture in which employees willingly go beyond their job descriptions
- Leaders must set trends for performance by doing the same kinds of things they expect from subordinates

Regarding the mentioned above issues it can be seen that the top management is active as well. They create a sort of a climate for the staff for being innovative.

**Perceptions of fairness and trust:**
Fairness and trust play an important role within companies. These issues are important for employees. They benefit not only from high salaries, they benefit from all different kinds of recognition (Schneider, Gunnarson and Niles-Jolly 1996). In this context it is also necessary to mention the aspects of respect and opportunities regarding the advancement.

**Norms of helpfulness and cooperation:**
The issue of helpfulness and cooperation is one of the most important according to the literature (Schneider, Gunnarson and Niles-Jolly 1996). The management level has to cooperate with the staff. The organisation has to benefit from the employees and the other way round (Schneider, Gunnarson and Niles-Jolly 1996).

**Fair reward systems based on broad contributions:**
In some cases employees just get rewards if they fulfil specific tasks (Schneider, Gunnarson and Niles-Jolly 1996). On the other hand the staff should be rewarded for broader activities, e.g.: promote organisational effectiveness and this will motivate the employees as well (Schneider, Gunnarson and Niles-Jolly 1996).
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A climate for these cooperative behaviours is likelier to exist if the management is perceived to be fair and trustful (Schneider, Gunnarson and Niles-Jolly 1996). After this issue it may also seem necessary to mention that the management participation can take place in very different ways. The top management can have a reward system and the employees are getting rewards for their tasks they fulfil within the companies. There are different ways of how the management level can act.

**Earning employees’ trust is essential to employee commitment:**
Management participation is also about earning trust. It is another way, how the management can be active. They have to earn the trust in order that the employees show their commitment, which means being innovative, coming up with ideas and in the long run innovations. The employer-employee relationship is a reciprocal, two-way relationship (Schneider, Gunnarson and Niles-Jolly 1996).

**An atmosphere of reciprocation and cooperation establishes a culture in which employees willingly go beyond their job descriptions:**
In order to create a good atmosphere for employees and in the long run a favourable microclimate within the organisations it is important that the management level shows cooperation and helpfulness to employees. Through cooperation and helpfulness the management can also expect the same behaviour from the staff, which is essential during a successful innovation processes (Schneider, Gunnarson and Niles-Jolly 1996).

**Leaders must set trends for performance by doing the same kinds of things they expect from subordinates:**
In order to make management participation happen it is necessary that the management level is going to be active in the one or in another way. Leaders have to set trends and goals, so that the staff is aware of in which direction the company intends to go.

The issues mentioned above display the issue of management participation more in detail. We are aware that, there are many possibilities towards how the management level can be active. Sometimes it happens in a more subtle way and sometimes it is more a pro-active way. In order to create a favourable microclimate – favourable contexts – for making innovations happen the issue of management participation is in our perception a necessary one. Later on in the empirical part it will be shown how this issue is perceived in the companies.
The most challenging part within the management participation is that the management level is able to make the employees going, which means they start with generating ideas and the employees have to show their commitment as well (Schneider, Gunnarson and Niles-Jolly 1996). Organisations or rather companies, which are not that innovative, the top management does not provide financial or emotional support that the innovation project could be started (Schneider, Gunnarson and Niles-Jolly 1996). In comparison to companies, which are more innovative than others, the top management is supposed to give this support.

As it can be seen, the top management is required to be more or less active. Only with support from the top management innovations a climate can be created which fosters innovations more.

In the next part of the organisational microclimate the attention will be drawn to the issue of effective communication and the flow of information, which plays another essential role throughout the process of creating a favourable microclimate within organisations or rather companies.

### 2.2.3 The importance of effective communication and information flow

Several different perspectives will be analyzed about successful communication within companies. The most important thing that should be said beforehand is that the importance of teamwork and the involvement of every employee and the importance of management participation are strongly related to effective communication.

The issue of effective communication and of good channels of communication is a very important for organisation that strives for innovations. Some workers in organisations are better in generating ideas and fresh input (Ramsey 2003). Others are better in risk-taking and implementing ideas. Therefore it is necessary to communicate effectively. Especially in companies, where most of the tasks are divided, e.g.: during the innovation process effective communication goes without saying. Innovations are everybody’s business and therefore good communication channels and good flow of information is an essential attribute for organisations (Ramsey 2003).

The senior management of organisations has to be aware of putting the ideas into the real world. The organisation, which strives for success, needs to have all these attributes to be innovative. All
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conditions, which can create an effective communication, are very important for a good and vital microclimate.

The staff, which is generating the ideas, has to communicate with the other members of the organisation in order to make them going into the direction, which is required. Flow of information is necessary for successful innovations. Establishing and implementing innovations with great success is the task of everybody as already mentioned in the previous parts. Support of all the workers is required. Without any flow of information this task could be a challenge for the whole organisation. Vital and successful organisations need this attribute in order to be innovative or rather to come up with innovations (Ramsey 2003).

As it was mentioned before in the part about the importance of teamwork and the involvement of every employee, that nobody has a monopoly on imagination. Everybody is supposed to come up with innovations in a company. Taking this issue into consideration it goes without saying that communication plays an important role. To make the entire company aware of the current ideas, good communication channels are the most important things within companies. To show the consequences, if the companies do not have successful communication channels and almost no flow of information within their organisation it could be the case that the innovations are not successful and the innovation process will fail (Innovations Network Thinksmart, 2008).

The issue to fail can affect this importance a lot. As it has been mentioned before, bad channels of communication can play an important role, so that the innovations are likelier to fail.

Regarding the flow of communication it could be also mentioned that this is sometimes an obstacle or a barrier within the organisation. In traditional organisations, which are not that innovative do not have a good communication flow. Exactly speaking they do not have effective channels of communication (Birkinshaw, Crainer and Mol 2007). If the organisation faces this kind of barrier it is not that easy for the firm to come up with innovations and the process of fostering innovations will be much more difficult. These companies have to take a big changing process into consideration in order to change their whole attitude regarding the communication channels. If these companies can manage to improve their ways of communicating within their organisations the innovation process will be easier and innovations in the long run will be successful (Birkinshaw, Crainer and Mol 2007).

The issue of missing or bad channels of communication is a serious matter. The organisation has to change a lot if it is necessary, the whole structure of the company must be applicable for the attributes and the concept of effective communication (Birkinshaw, Crainer and Mol 2007).
Without having effective communication in the companies it can be a real challenge for the company to be innovative and to come up with innovations. Even though ideas can be generated and improved and so forth, the implementation can be extremely difficult. Implementing of ideas and later on innovations within companies is tough job and requires the commitment from everybody, as already mentioned in the first part about teamwork. When the ideas are going to be developed within the companies it is necessary to keep the information flowing and the communication should be as good as possible in order to be successful with innovations.

To conclude this part it is necessary to go to the interview of Lew Platt, former CEO of HP “He is a true leader, he cares about people and tries to get a big picture for everybody, where to put the focus on, what to do and so forth (Sheridan 1994, p. 28).” After this statement it can be seen that effective communication is strongly related to the former essential “ingredients” for creating a favourable microclimate. This statement by Lew Platt shows also that the effective communication process plays not only a role during the innovation process. It also means that before the innovations process starts, a good communication should be present. The management level has to communicate the goals, which the company is striving for. Effective communication and a smooth flow of information are necessary to create favourable contexts for coming up with innovations. Beforehand such effective communication is needed in order to get the commitment from the employees.

Regarding the well-known term “good organisational microclimate” it has to be one of the priorities to come up to the expectations of good communication channels in order to create an environment, where it is possible to foster innovations as good as possible.

In the next part of the conditions for a good microclimate the attention will be drawn to the issue about innovative culture. Furthermore it will be discussed what is important regarding this issue and how it comes to a situation where this certain innovative culture plays a necessary role.

2.2.4 The importance of an innovative culture

This special condition for creating a supportive microclimate for organisation is maybe the most important and crucial one. The issue regarding “cruelty” within the innovative culture leads the companies to several dependencies. In the following part several opinions from different authors will be examined in order to give a thorough insight.
To maintain an innovative culture is easier for young companies in comparison to traditional ones (Sperling 2006). Through innovative cultures the organisations are more likely to create innovations and because of this issue the firm is able to create a sustainable context, which leads the organisation to success (Sperling 2006). According to this article the focus must be on creating an innovative culture, because it supports the company and also during the innovation process support will be given. If the companies are in favour of creating an innovative culture, they must be aware that being innovative and coming with innovations means going somewhere, where the company has not been before (Sperling 2006).

Another point of view has the former CEO of HP Lew Platt. He tried to anticipate – this is the recipe to be successful and keep your organisation innovative. Successful approaches in the past will not be successful in the future, according to Lew Platt. The more the organisation can change and can cope with these structural changes the more the innovative culture will work out. Continuous changing can be seen as a necessary attribute for an innovative culture or rather companies, which strive for an innovative culture. The issue of changing gets support by a statement from the interview with Lew Platt “We are continuously looking at the next wave…” (Sheridan 1994, p. 26). It is important that the companies seek for new innovative potential. A next attribute for an innovative culture within companies is that the managers should be a few opportunities ahead, which means to think in advance in order to get the best out of it as possible (Sheridan 1994).

According to HP it is required that the senior management encourages the other business units to be “bold,” creative and to motivate them to take some risks in order to support innovations (Sperling 2006). Encouragement of the staff within the organisation does not constrain the staff, they will get support and an innovative culture is necessarily for innovative companies.

Having an innovative culture requires also empowerment from the management towards the employees. Throughout empowerment they are likelier to show their commitment to the company and to innovations (Homsy, Totten and Orlikoff 2004).

In organisations, which are striving to have an innovative culture it is important to have freedom of rules, many different views should be allowed and very welcome. Furthermore flexibility is needed and the information flows downwards as well as upwards (Ahmed 1998). Some more attributes concerning innovative culture will be mentioned in the following part (Ahmed 1998):
Theoretical Framework

- Freedom to experiment
- Freedom to try things and to fail
- Acceptance of mistakes
- Teamwork
- Empower people
- Move people around

These characteristics display some key attributes of innovative cultures. It is very important that there are no “punishments” if the idea fails, because this would constrain the process of generating ideas. To empower the employees is another important characteristic in order to get their commitment and strive successfully for innovations. Innovative culture includes the issue of teamwork as well, as it already has been explained before in this chapter.

Regarding another issue related to the innovative culture it is important that the companies, which strive for an innovative culture are willing to be in a steady competition with others and also with the company itself, which means to be better than the innovations before and all the time striving for the best (Sheridan 1994).

Organisational culture is an important determinant of sustained innovativeness and financial performance (Dombrowski et al 2007). Innovative cultures in organisations emphasize also very much on the newcomers (Dombrowski et al 2007). Newcomers in organisations should integrate themselves as soon as possible. They should learn from the staff to get in their processes quickly. But everybody should keep in mind that also new employees can teach something to the already existing ones. Knowledge should be shared and giving help to each other is another big characteristic of innovative cultures and it supports a good environment for upcoming innovations (Dombrowski et al 2007). During the innovation process in companies with an innovative culture it is important that everybody gives support and the mission must be to make innovations successful (Dombrowski et al 2007).

Another major issue, which is strongly related to the innovative culture is, that the members of organisations or the employees of the different companies should share the knowledge and all the information (Dombrowski et al 2007). To create such an environment where an innovative culture is able to grow and to exist it is important that the relations between the employees is very
open, which means knowledge sharing should be a priority in order to be able to share the ideas, improve someone else’s ideas and in the long run to be able to come up with innovations.

If the company decides to be innovative or rather if an organisation tries to follow an innovative approach it will be necessary to come up with innovations all the time. The organisation has to define itself as innovative and has to try everything to come up to the required expectations, which means to take risks.

After mentioning the different conditions of creating and sustaining a favourable microclimate within organisations it can be seen that they are quite similar to each other and that they are dependent from each other. In a few chapters in the empirical part we will examine the practical application regarding the mentioned above conditions.
2.2.5 Conceptualization

Creating favourable contexts for nurturing and managing innovations in an organisation

Innovations in an organisation

- What is an innovation?
- The nature of innovations
- Types of innovations
- Phases of innovations

Conditions for creating a favourable microclimate in an organisation

- The importance of teamwork and the involvement of every employee
- The importance of management participation
- The importance of effective communication and information flow
- The importance of innovative culture

Interviews with Latvian companies

- Publishing House “Petits”
- Advertising Company “Dzelzceļa Reklama”
- Electronics and household appliances Company “PROKS”

Figure 2.1: The research structure
The part conceptualization provides a description about the relationships between the different chapters in the thesis work.

The theoretical framework had its starting point with a general overview about innovations in order to give state the main ideas of its characteristics. Throughout the first part of the theoretical framework the attention has been drawn to the importance of creating a favourable microclimate for organisations in order to come up with innovations. According to the literature, which is related to the microclimate of organisations, four main characteristics have been pointed out:

- The importance of teamwork and involvement of every employee
- The importance of management participation
- The importance of effective communication and information flow
- The importance of an innovative culture

These four conditions for creating favourable contexts do have an interrelationship with each other. The mentioned above conditions are essential for organisations, which strive to be innovative. On the other hand it could be the case that more conditions do exist but further conditions may arise in the empirical part.

To conclude the part about the conditions for creating a favourable microclimate in an organisation it is necessary to mention that none of these conditions is more important than another one. The four conditions are equally essential for an innovative behaviour of the companies. All conditions have to interact with each other in order to create the best surrounding for innovations. In our perception it is worthy to mention that these conditions may overlap each other as well. It means that companies cannot talk about management participation and exclude the effective communication. In order that the management level can participate it is necessary to have a good flow of information and effective communication channels.
3 Methodology

The main purpose of this chapter is to provide the reader with the means of understanding of the present thesis work in terms of methodology. During the following parts we would like to present the approach, which was used according to the present paper, research strategy and specific techniques. The main goal of this chapter is to create a certain understanding of the methods of data collection that we will use.

3.1 Research strategy

The research area in which we are active is a certain microclimate in organisations, which support the innovation process in a successful way. The topic of our thesis work is “Creating favourable contexts for nurturing and managing innovations in organisations”. For a better understanding of the sequence and the logic of our thinking, we would like to present a strategy whose meaning is depicted from “The Russian Dolls Hierarchy”.

*The Russian Dolls Hierarchy*

![Russian Dolls Hierarchy Diagram](image)

Figure 3.1: Modified figure of the Russian dolls (Daudi, 2008)

The research problem that is important for our topic is to describe the structural changes, which occur during the innovation process and how the organisation is able to react and adopt these
changes. The research issue is to give us answers after describing the behaviour of organisations or rather companies during the innovation process and understanding the importance of creating a favourable microclimate for organisations, where innovations can occur. This major issue is the focus for our thesis work. If the research issue is narrowed down more we come to the research objective. In this case the research objective can be seen as the achievement of this thesis and this is the situation, where the importance of creating favourable contexts for innovations in organisations can be seen.

Now it is possible to see the clear way, how we came from the research area to the research objectives and how they are related to the topic of our thesis work, which is as already mentioned before “Creating the favourable contexts for nurturing and managing innovations in an organisation”.

### 3.1.1 Methods of reasoning

During process of doing research, three broad methods of reasoning can be named. One of them is the deductive reasoning or deduction, the second one is the inductive reasoning or induction and the third one is abductive reasoning or abduction. Naturally all three approaches are very different and that is why the researchers should be extremely careful of which approach would be used in their research work. The problem, which can appear is, if the topic is situated close to the border of two approaches. In this situation a detailed look into the research area, research questions, research problem, expectations and possibilities can be useful. One approach can fit more to a certain topic and one can fit less. From one of the definitions follow, that deductive reasoning works more from the general to the specific topic (Web Center for Social Research Methods, 2008). The thinking process starts very broad with a theory about a topic of interest and will be narrowed down into a specific hypothesis that one can test. “The researcher narrows down even further while another person collects observations to address the hypotheses. This ultimately leads the researcher to be able to test the hypotheses with specific data – a confirmation (or not) of someone’s original theories (Web Center for Social Research Methods, 2008).” Inductive reasoning works the other way, moving from specific observations to broader generalizations and theories (Web Center for Social Research Methods, 2008). “In inductive reasoning, the researcher begins with specific observations and measures begin to detect patterns and regularities, formulate some tentative hypotheses that be or she can explore, and finally end up developing some general conclusions or theories (Web Center for Social Research Methods, 2008).” It is clear that these two approaches are the opposite one to another, but the crucial thing is that one can be in
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the situation when it is necessary to use both of them. Web Center for Social Research Methods states that in the most social research papers, there is often an involvement of both inductive and deductive reasoning processes at the same time. Some authors are calling this kind of ‘mix’ as abduction or abductive reasoning (Lindberg, 2008). When a researcher has an idea or imagine something that can be in certain situation, it is possible to look in theory, check it and go back again to the reality. It can happen several times during the research process. Up and down from the empirical level to the theoretical one, up and down, up and down (Daudi, 2008). Before going deeper into more details about the abduction we would like to summarize the ideas, which were presented before concerning induction and deduction. Inductive reasoning moves from the specific to the general and deductive reasoning moves from the general to the specific that is from the data to a principle in the first case and from the principle to the particulars in the second one. The abductive reasoning moves from the relevant evidence to the best possible explanation or principle (Thagard and Shelley, 2008). “Abduction is inference to the best explanation – beginning from a set of accepted facts, inference proceeds to the most likely explanation for these facts. Inference is the process of deriving a conclusion that is based solely on what is already known (a posteriori) (bLogos, 2008).”

In our case we would like to use the abductive reasoning because it is the best suitable method, which we can use during the research.

### 3.1.2 Overview

The thesis work was started with the theoretical part, which consisted of two sublevels, following one next to another theoretical subpart. One of them was more general and consisted out of the meaning of innovation in general and an explanation of some definitions and methods. The second subpart consisted out of descriptions of some important issues, which we found during the analysis of the literature.

The thesis work is not being started with a preconceived theory in our minds. Furthermore, the general explanation concerning the innovation process and the organisational microclimate can be created from different research fields. To create a certain level of understanding in these areas, e.g.: scientific articles, books, journals and practical cases can be useful. The researchers can use almost all kind of sources to create this understanding. As it was mentioned above, the research question is to describe the behaviour of organisations or rather companies during the innovation process and to understand the importance of creating a favourable microclimate for organisations, where innovations can occur. From most of the literature, which deals with creating a good
microclimate for innovations in an organisation it was seen that the characteristics are the following:

- The importance of teamwork and the involvement of every employee
- The importance of management participation
- The importance of effective communication and information flow
- The importance of an innovative culture

These four characteristics helped us to create an integrated research model. Furthermore our theoretical framework has been supported from an article about HP. The article described and shared the experience in the question of the successful microclimate in this concrete organisation. We used these articles as a practical illustration with the purpose to fulfil the studied and already analyzed theory with more practical ‘brief’ to be ready for the next part of the research – the empirical one.

In the empirical part we interviewed some Latvian companies. The main criteria for choosing them were their innovativeness, in other words that the company should be innovative in a certain way, e.g.: through new products or project developments, which are unique, compared to their competitors. The main purpose of these interviews was to get a better understanding how the models of the theoretical part are applied in the practical context. After this investigation it will be possible to see how the mentioned conditions are able to support innovations through a good microclimate. The purpose in the end is to fulfil the theoretical part with the results of the practical one.

3.2 Methods of data collection

3.2.1 Approach

We, as authors, are faced with the question, which of the most used approaches is more suitable for our thesis work - qualitative or quantitative. Not going deeper into details we would like to state that we are going to use the qualitative approach. We would like to explain some moments with the purpose to show the difference between these two approaches. From one of the defini-
tions of the qualitative approach follows that it could be “any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification” (Strauss & Corbin, 1990, p. 17). Research, which will involve any statistical, inferential or mathematical means of quantification, will require quantitative approach. If, for example, the quantitative method allows the dimension of a great number of people to a limited set of question, facilitating the comparison and statistical gathering of data, the qualitative method produce richer information about a smaller number of cases. The approach, which is taken in the qualitative research, goes more in the direction of content analysis, conversation analysis and critical questioning of the theory (Oxford Reference, 2008).

In our case we are writing our thesis work about the organisation’s microclimate, about the conditions, which can support innovations in the earliest stages of their development. Furthermore, from the definition that was mentioned above, it is clear that the qualitative approach is more suitable for our study.

### 3.2.2 Choice of objects of study

In this section we would like to give an overview about the decision regarding the choice of the objects of the study. It is important that our logic is being understood regarding the choice of the companies. The following three main criteria influenced our decision:

The first criterion was the access to the company. Because of the time limitation we tried to find the necessary access to the companies through personal contacts. In our opinion this decision was the best.

The second criterion was the size of the company. Again and again we have been faced with the issue of time limitations and that is why the size of the company was very important. The bigger the companies are, the deeper is the research and because of a limited time span it was a crucial situation. Our choice was to work with small or middle size companies.

Thirdly and the most important issue was companies’ innovativeness. As it was already discussed before that the company should be innovative in a certain way, for example through new products or project developments, which are unique compared to their competitors.
Thus, we made our choice regarding the following three Latvian’s companies:

- Publishing House “Petits”
- Advertising company “Dzelzcela Reklama”
- Electronics and household appliances Company “PROKS”

An overview about the companies can be found in the appendix.

### 3.2.3 Empirical data collection

There are different ways of primary data collection for the empirical part. Questionnaires, interviews, observation, case studies, diaries, critical incidents, portfolios can be a few of them (Thames Valley University, 2008). In the earliest beginning of the research we identified two major methods – interviews and questionnaires. Interviews are a more personal form of research than questionnaires. Furthermore, the advantage of the interview method is that it is immediately completed, what in our case was very important. As it was mentioned above the thesis work’s empirical part is belong to the qualitative method as well as the theoretical part. In our case we are talking about the qualitative research interviews. The qualitative research interview seeks to describe and the meanings of central themes in the life world of the subjects. The main task in interviewing is to understand the meaning of what the interviewees say (Kvale, 1996). Interviews are particularly useful for getting the story behind a participant’s experiences (General Accounting Office, 1991). In our case it can be a very big advantage, because the topic of our study is not the easiest one and during the interview session it is possible to plan the questions, which will give the better understanding of the situation. Speaking about the type of the interview the authors chose the standardized or open-ended interview, which means that there are the same open-ended questions, which has been asked to all interviewees (Foddy, 1993). This approach facilitates faster interviews, which can be more easily analyzed and compared.

Regarding the interviews it was decided to do three interviews in three different companies. These interviews have been done on three different levels inside the company. The result was the following:
1. **Publishing House “Petits”:**
   - Jurījs Jansons – Administrative Director
   - Svetlana Jevdokimova – Marketing Director
   - Marina Avdejeva – Manager of the Advertising Department

2. **Advertising Company “Dzelzcela Reklama”:**
   - Eduards Dombrovskis – Owner
   - Tatjana Pravitchenko – Manager
   - Peteris Novickis – Engineer

3. **Electronics and household appliances Company “PROKS”:**
   - Dins Ushvils - Trading Director
   - Edgars Zhadejkis - CEO Adviser
   - Sergejs Prohorovs - Salesman

Concerning the interviews with the Administrative Director of “Petits”, the Owner of “Dzelzcela Reklama” and the Trading Director of “PROKS”, it should be mentioned that we had a research assistant. The mentioned interviews have been conducted with the help of Svetlana Jevdokimova, who was in charge of the position as our research assistant.

**The structure of the Empirical part**

The empirical part will start with the first outcomes of the interview, to be exactly the interviewees’ opinion about the conditions, which can help the company to create a good microclimate or rather, which fosters innovations. All nine opinions will be presented.

In the next part we decided to follow the same structure like in the second theoretical part “Conditions for a favourable microclimate in organisation”:

- The importance of teamwork and the involvement of every employee
- The importance of management participation
- The importance of effective communication and information flow
- The importance of an innovative culture
3.2.4 Interpretation of the data – the Grounded theory

In this step it is clear which method and which approach we would like to use. The next step is to clarify, which kind of theory we are using in our thesis work. We chose the grounded theory, which is based on the qualitative approach and it seems to us that it is necessary to provide some kind of understanding what this theory is about. This step is very important because we would like to have the same level of understanding as our readers do have.

Strauss and Corbin point out, that the researchers do not start a project with a preconceived theory in mind, because they allow the theory to emerge from the data. Moreover, researchers must be aware of the fact that theory should be modifiable in the light of new data. When theories are drawn from data they are likely to offer insight, enhance understanding and provide a meaningful guide to action. The strategy for handling data is called grounded theory. A grounded theory enables uncovering pre-existing and universal explanations of social behaviour and an explanation and predictions of behaviour. The method described by Strauss and Corbin is built upon two key concepts: “constant comparison;” in which data are collected and analyzed simultaneously. Moreover it is worth to mention the other one about “theoretical sampling;” in which decisions about which data should be collected next are determined by the theory that is being constructed.

Conceptualizing on the first level of abstraction is called open coding. Data are broken down into concrete incidents, ideas and events and are then given a name that represents these. During the research process two groups emerged. The first group is the “Innovations in an organisation” and the second group, which emerged is called “Conditions for a favourable microclimate in organisations”.

The act of systematically relating categories to subcategories along the lines of their properties and dimensions is called axial coding. The goal here is to develop and relate the categories that driven from open coding. It means that the four groups of conditions, which the authors emphasized on, in the open coding, should be developed.

The first group, which was mentioned in the open coding, is “Innovations in an organisation”. This group can be subdivided into four sub-points. The first sub-point is called “What is an innovation”. Second sub-point is “The Nature of Innovations”. Third sub-point is “Types of innovations” and the last sub-point is “Phases of innovations”.

The second group, which was mentioned in the open coding, is called “Conditions for a favourable microclimate in organisation”. During the research process four groups of conditions emerged. The first condition is the importance of teamwork and the involvement of every employee. The second one, which emerged is the importance of effective communication and in-
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formation flow. The third condition is the importance of management participation. The last condition, which emerged is the importance of an innovative culture.

In accordance to Strauss and Corbin selective coding, which is the process of integrating and refining the theory, is done after having found the central category. The following techniques can be used to identify the central category and to integrate the concepts: Writing the storyline, making use of diagrams, and the reviewing and sorting of memos. The first can be used to move from description to conceptualization. Memos as well as diagrams enable researchers to keep a record of the analytic process. Both will vary in form and comply by the type of coding. Theoretical memoing is described as the core stage of grounded theory methodology. The construction of the four conditions will be continued in the empirical part and the results and interrelationships between them will be analyzed more in detail in the chapter, which is called “Discussion of the results.”

Grounded theory is a method that is more appropriate for some questions than others. It is not appropriate for statistical hypothesis testing, since theoretical sampling violates the ideal of hypothesis testing. Theoretical sampling is not based on a priori hypothesis, because it considers new data by ongoing interpretation of data and emerging conceptual categories. The purpose of grounded theory is not to make truth statements about reality, but to gain understandings about patterned relationships between social actors and how these relationships and interactions actively construct reality. As a consequence, grounded theory is most suited to efforts to understand the process by which actors construct meaning out of inter-subjective experience.

In the end it is necessary to mentioned that the research principle behind the grounded theory is inductive reasoning, but not deductive. According to the book “Philosophical Writings of Peirce” (Peirce and Buchler, 1955) by Charles Sanders Peirce induction and deduction combine both in a way of abductive reasoning. In our research we are using abductive method, as it was already mention previously. Moreover, even if we are using the abduction instead of induction we still have the possibility to use the grounded theory as the basic theory of our research. To make this possible we adopt the grounded theory relatively to our thesis work to some extent. We use the abductive approach (theoretical level – empirical level – theoretical level). We have some assumptions about the theory before we look at the empirical level, but later on when we go back to the theoretical level, where we allow our theories or rather conclusions to be modified.

We are aware that we use the abductive approach only to some extent, because when we enter the theoretical level again after our empirical findings the theoretical discussion will not be as detailed as before.
3.3 Credibility of the research

The most important fact, which influenced our choice of the companies was, that we had personal contacts to three Latvian companies. In addition to this the companies came up to our expectations concerning our research theme as well.

Another very important issue is that after reviewing the literature, we intended to use four major concepts regarding a favourable organisational microclimate. We are aware that there may be exist more conditions besides these four. However, after discussions between the two of us we came to the point to include the following four conditions:

- Teamwork and the involvement of every employee
- Management participation
- Effective communication and information flow
- Innovative culture

Regarding the interviews it should be said that all interviews have been done by phone and not personally. If we have been able to make the interviews personally in Riga probably the results would have been a bit deeper. During a personal interview we would have got the possibility to have more interaction with our interviewees and have had insight into the companies. We would have been able to experience the innovativeness in a more personal way. However, we received useful results even though we did the interviews by phone but this issue is strongly related to our personal contacts.
4 Presentation and analysis of the empirical data

The aim of this chapter is to provide the reader with the empirical data gathered during the interviews. The chapter starts with a presentation of the conditions for a favourable microclimate in organisations in general. The four major conditions (teamwork, management participation, effective communication and information flow and innovative culture) are discussed more in detail after the general presentation.

Conditions for a favourable microclimate in organisations

We would like to give a short overview about our decision, why we examine one company after another. The reason is that the companies are different in the way of their working area and their structure.

The differences between the companies had some influence on the employees’ answers, which could have had implications on our presentation and analysis of the data later on. This separation is therefore necessary for us.

The structure of the following:

- Employees of the Publishing House “Petits”
- Employees of the Advertising Company “Dzelzcela Reklama”
- Employees of the Electronics and household appliances Company “PROKS”

Before going deeper into a more detailed discussion of the interview results about the four basic conditions, we would like to present the conditions, which can help a company to create a good microclimate where innovations can occur in general.

If a manager has a detailed plan about what exactly a client-manager should do, they can sell the idea to the client successfully. If the client-managers can design the project in the best possible way the workers can realize this project as good as they can. If the members of the project team are working well and in harmony, the owner will encourage their merits (Pravitchenko, 2008), (Novickis, 2008). It is also important that the members of the teams have a fair attitude towards their duties (Zhadejkis, 2008). In our point of view these issues can be a part of the importance of teamwork and the involvement of every employee.
In our opinion, the creation of the favourable microclimate is one of the duties and goals of the management level. Our point of view has been reinforced by Juris Jansons, Administrative Director of “Petits”, in his interview. His point of view is that there are three different directions, which can help to create a favourable microclimate for the Publishing House “Petits”. The first direction is to provide social “security” for the employees. The company made some additional policies for the medical insurance to the best workers in the end of the year. The second direction is that the employees, who are working in the company for more than seven years, can use the opportunity to travel once per year for the company’s money. The third direction is that in the successful end of each innovative project all participants of the project team get awarded (Jansons, 2008). The mentioned condition of Jansons, Administrative Director of “Petits” can be in our point of view related to the importance of the management participation.

We think that the relation between the employees and the management level is very important in order to be able to be innovative and successful. During our research this issue has been mentioned by the Manager of the Advertising Department of the Publishing House “Petits”, Owner of the Advertising Company “Dzelzcela Reklama” and the Salesman of the Electronics and household appliances Company “PROKS”. According to the distinction between the different conditions, this issue can be related to the importance of effective communication and information flow.

The importance of an innovative culture is not an easy condition. We expected more elements of the mentioned condition but only Dins Ushvils, Trading Director of “PROKS” talked about the innovative culture, in case of the readiness of all employees to accept innovations. Furthermore the employees have to have a strong desire to be modern as well (Ushvils, 2008).

Svetlana Jevdokimova, Marketing Director of “Petits”, has mentioned one out of many important aspects regarding the conditions for creating a favourable organisational microclimate. She pointed out the importance of the employees’ vocational training (Jevdokimova, 2008). It does not mean that this factor is only important in the beginning, but during the working process as well. The employees can achieve it through different trainings, seminars and additional education with the help of the courses of qualification improvement. If the company has a basic and solid situation for growing and developing, all the goals can be achieved with less loses and in a high professional level (Jevdokimova, 2008).

Thus, we examined nine interviews with employees from three different companies. Now it is time to make first conclusions, according to the conditions, which can help a company to create a good microclimate where innovations can occur. Not to make the analysis confusing we decided.
to continue the work with the four conditions from the theoretical part:

1. The importance of teamwork and the involvement of every employee
2. The importance of management participation
3. The importance of effective communication and information flow
4. The importance of an innovative culture

Not all answers could be included in the four conditions mentioned above, which means eight out of nine answers have been included. This ninth answer is “unique” and it was not possible to include it in our four already existing conditions. Svetlana Jevdokimova, Marketing Director of “Petits” has given the answer about the employees’ vocational training. An understanding of this answer will be presented in the discussion part. Some theoretical aspects will be pointed out in order to give a thoroughly insight about this newly emerged condition.

4.1 The importance of teamwork and the involvement of every employee

We would like to start this section with the first company, which is the Publishing House “Petits” and its employees the Administrative Director of the company Jurijs Jansons, the Marketing Director Svetlana Jevdokimova and the Manager of the Advertising Department Marina Avdejeva. Everybody understands the importance of the teamwork and the involvement of every employee during and before the innovation process.

In the Publishing House “Petits” the situation is the following. The decision of necessity to use innovations in the company is accepted from the management of the company. It is only accepted after the substantiation of its necessity, which is provided by the director of the marketing department. Initially there is a primary formation in every department separately and only after the decision making the results are presented to the board of directors. The next stage when the decision is done there is a process of the project group formation, which will work with innovations. The next ‘steps’ are accurately following one next to another (Jansons, 2008), (Jevdokimova, 2008), (Avdejeva, 2008):
• The description of the precise duties of each project team member
• Preliminary calculation of the project costs
• Definition of the technical side of the project, the projection (designing) stages and the term of performance of the project
• Reporting forms and their deadlines about the progress of the project

The company, which we would like to investigate next, is the Advertising Company “Dzelzcele Reklama” and its employees the Owner of the company Eduards Dombrovskis, the Manager Tatjana Pravitchenko and the Engineer Peteris Novickis.

The importance of the teamwork and the involvement of every employee have already been mentioned by Tatjana Pravitchenko and Peteris Novickis in the previous section where they explained the relations between the employees. They have a hierarchy of accurate statement of the goals. The manager should have a detailed plan, what exactly the client-managers should do. In turn the client-managers should design the project in the best possible way that the workers can realize the project as good as they can. If the project is successful the owner of the company will remunerate all participants of the project by all means (Pravitchenko, 2008), (Novickis, 2008).

In the next part of the interview it was mentioned by Tatjana Pravitchenko, the Manager of the Advertising Company “Dzelzcele Reklama”, that idea is the main issue in every project, because the idea has a great impact and it can unite all the participants of the project together better than something else. “The idea is like a star – when it lights up everyone starts following the shine. If this condition is not present, it is the first step to fail the project. People will look for a reason to destroy the idea and as a result a great number of difficulties will appear. Eventually it will turn out nothing” (Pravitchenko, 2008).

The opinion of the owner of the company differs from the opinion of the employees. The answer will be described twice, in this section and in the next one where we will describe the second condition of the favourable microclimate, the importance of management participation. Consequently, Eduards Dombrovskis, the Owner of “Dzelzcele Reklama” says that the major factor of the teamwork success is a necessity to explain to the employees the idea of the entered changes or new projects and an explanation of its importance for the company. The employees should be motivated with a preliminary result of the innovation, which means that they get an insight about the successful implementation (Dombrovskis, 2008). His opinion reinforced our thoughts regarding the importance of teamwork. The employees will not be motivated enough to be successful if a manager does not provide them with preliminary results about innovations.
The last company, which we would like to analyze regarding the importance of the employees is the Electronics and household appliances Company “PROKS” with its employees the Trading Director Dins Ushvils, the CEO Advisor Edgars Zhadejkis and the Salesman Sergejs Prohorovs. This condition was already explained by Sergejs Prohorovs (“PROKS”), Tatjana Pravitchenko (“Dzelzcela Reklama”) and Peteris Novickis (“Dzelzcela Reklama”) in the previous part. The main point is that it is important to create a good team in the beginning. Only if the microclimate within the team is good, the attitude towards the work of the employees will be serious. Serious and honest relationships between the team members are very important. In our point of view this relationships play a necessary role within organizations in order to have strong and successful teams. Good innovations can be only born in the team, where all the participants work as a one single “body”. First of all it is necessary to generate the idea, to describe it, to calculate everything and to think about the steps regarding the implementation later on. Only the team is capable to do so. To summarize this section we would like to draw the attention to a small illustration regarding the teamwork, which includes general ideas from all interviews.

From the team to the project team

Figure 4.1: From the team to the project team
The first step is to create the team. The process of the team creation plays an important role in every organisation. We would like to recollect the old saying: “As you will name the ship the same it will float”. If initially the team will be ‘constructed’ in the best possible way, it will work suitably. But it is not enough to only create the team. The second important thing is the team-building\(^1\). As it was mentioned before only in this situation if the team works as one single body the great idea can be born in this atmosphere. Additionally we would like to mention that if the team is not strong enough they will be likelier to produce weak ideas. The management in this situation is playing a so-called ‘filter’ role. It is necessary to select the good ideas and to begin to work with them. To send other ideas back to the completion or rather to reject the idea if it is not viable. In the level when the idea is accepted, the project team, which will work with the development of the innovation, is going to be active. This stage was detailed explained in the beginning of this section.

4.2 The importance of management participation

It would be desirable to begin this section with the Publishing House “Petits” again, to continue with the Advertising Company “Dzelzceļa Reklama” and finish with the Electronics and household appliances Company “PROKS”.

Initially the management team of the Publishing House “Petits” is highly professional. As they estimate the situation within the company they said that they are so-called “playing trainers”. It means that most of time they are participants of the project teams, which are working with innovations. The issue that could be a concern is the participation of the CEO or the board of directors. This participation is extremely important, but very often it can make an innovation process more slowly or simply preventing the group work. To estimate the project it is necessary to understand what the project is about. Furthermore, it is not enough to know the project only superficially. Frequently it happens that the company is running several projects at once and simply it is not possible for the management to be everywhere at the same time. Eventually the management role is a decision-making one after the reception of the necessary information (Jansons, 2008), (Jevdokimova, 2008), (Avdejeva, 2008).

\(^1\) Creation of the team is in our perception a formal process compared to the teambuilding, which is an ongoing and informal process.
As it already was mentioned above, the second company, which we are going to examine in case of management participation, is the Advertising Company “Dzelzcela Reklama”. In the previous section the importance of the management participation in the first stage of the innovation process has been mentioned by the Owner of the company Eduards Dombrovskis. He said that the management should explain to the employees the idea of the intended changes or new projects. The employees should understand what is going on in the company, how and why everything happens. The target is to cause the employees’ interest and after then motivate them with the preliminary results of the introduction of the innovation. It is necessary to show to your employees the ‘way’, which can be opened to them after the successful implementation of the project (Dombrovskis, 2008). “Dzelzcela Reklama” is a small company and the majority of the company consists of the workers (see Appendix 3). Being guided by this fact in most of cases innovations are being generated independently by the Owner of the company Eduards Dombrovskis. To make the situation clear it is necessary to look at it from the different angles. It is necessary to have a look from the staff perspective in order to get their opinion. In the situation when Mr. Dombrovskis perceives the employee’s idea at the same as they perceive it, that means that the owner will support it. Even if in the situation when the implementation of the new idea requires additional investments he will find them. The owner should believe in the necessity of innovations as well as the employees. In the situation when Mr. Dombrovskis does not catch the idea it is better to postpone all for some time, or just to start thinking in another direction. The employees have respect towards the opinion of Mr. Dombrovskis, because they believe that he has a so-called scent in business. (Pravitchenko, 2008)

Another point of view, which is very important for this issue is that the management should supply the worker with the advanced workplace and with everything, which can be necessary for the work. Only when the employees feel themselves comfortable in their workplace it will be possible for them to develop something on their own and to think about improvements (Novickis, 2008). Especially this condition will be discussed more in detail in the last chapter of the present thesis work.

The last company which we would like to discuss in the light of the topic of the present section is the Electronics and household appliances Company “PROKS”.

Some ideas have already been mentioned above and that is why we decided just to supplement, which was described earlier with the practical example of the given company. The importance of the management participation is very high and it can include some sub-factors. Only the manager can adequately prepare the working team for the future changes, which probably will cause inno-
vations in the future. The project team which works with innovations should be under the guidance of the leader. Otherwise it can lead to the chaos in the team and to the project failure as a result. (Ushvils, 2008), (Zhadejkis, 2008), (Prohorovs, 2008)

To summarize this condition, we would like to say, that the first stage of an innovation process the management participation is the most important one, if we compare it with the other different stages of innovations. Sometimes it can even happen that incompetent intervention from the management side in the following innovation stages can destroy the project. In the first stage when an innovation is only starting to arise, the management participation is one of the most crucial factors.

4.3 The importance of effective communication and information flow

As it was mentioned by the Administrative Director of “Petits” Juris Jansons that the effective communication within the working groups, which works with innovations, is a keystone of success, especially in the first stage where innovations are arising (Jansons, 2008). A high level of importance of this issue has been pointed out from other employees of the Publishing House. But there does exist also another point of view. It was mentioned by the Marketing Director of “Petits” Svetlana Jevdokimova that it is necessary to work independently in the stage when the employees are generating the ideas. First of all it is important to remain alone where only the employee and its idea exist. It is necessary to think about the pros and cons of an idea and about the strategy of its possible development. In the stage when the ideas are formulated correctly it comes the time to represent them (Jevdokimova, 2008).

It was the practical example in the situation when the idea arises in the employees’ minds. But we should accept the situation where the idea arises within the group and it has some number of authors. In this situation the group will be in the same situation like the separate person was. Only when the idea is formulated correctly within the group, it comes the time to present it to the management.

In the situation when the innovations occur from outside the company or in the management level, only they can provide the employees with the important information about the project and about the changes. It was mentioned by Marina Avdejeva, the Manager of the advertising de-
partment of “Petits”, that there should be so-called mutual relations, but not unilateral relations. In other words effective communication and information flow should not exist only between management and employees, but also between employees and management. With that purpose there are weekly meetings in the companies (Avdejeva, 2008). These weekly meetings take place in the different levels of the organisation and thus they cover all organisation layers. For example first of all there is a weekly meeting within the team, and later on team leaders have a meeting with the head of the department, which in turn have a weekly meeting with the management etc. The situation can differ in several companies because there is no standard organisation structure.

The Advertising Company “Dzelzcera Reklama” is solidarity with the Publishing House “Petits” in their ideas. The already mentioned ideas will not be repeated. Instead we would like to add the practical example of the same situation, which was mentioned in interview with Tatjana Pravitchenko, the Manager of “Dzelzcera Reklama”.

“In that moment when the idea is arising in our department we are trying not to disturb other departments. We are resorting to disturb someone if help from outside is really necessary. In most of the situations we require help from technologists or designers to help us with the technical part of the project. In this situation they become our allies and so-called “out of a public” project team members. They can support us in the situation when we need a help to defend the project” (Pravitchenko, 2008).

There is an interesting point of view of the company’s engineer, who thinks that the more people speak that the less they work (Novickis, 2008). Everyone should do the business quickly, particularly and accurately. If you are technical worker, do your work and do not interfere with another’s affairs.

The general idea, which has the Electronics and household appliances Company “PROKS” is that it is important to create an environment to get a lot of information about the innovations. Especially in the situation when the team is compounded from people from the different departments the information flow goes without saying. Frequently there are different trades’ employees, who can make the working process harder because they have a specific professional language. In this situation, as never before, the employees should feel free and easy to share the information. There should be a possibility to be able to communicate freely with each other. (Ushvils, 2008), (Zhadejks, 2008), (Prohorovs, 2008)
To summarize the general ideas, which were mentioned before, we would like to say the follow-
ing. First of all it is necessary to formulate the ideas and afterwards they can be presented to the public. Only when the employees have a certain understanding of how it should work, they can sustain the criticism pressure. It concerns not only individually generated ideas but also ideas, which were generated within the team. The importance of effective communication and information flow is very high but only under the condition that the communication is really effective but not unnecessary expenditure of time. Innovative ideas are very fragile. They arise quickly and it is very easy to destroy them. The target is to safe them and to help them to survive in struggle for a life. If it will work out as it was planned, the efforts will be rewarded by the result.

4.4 The importance of an innovative culture

This question was more difficult than the other ones for all the interviewees. In our opinion an explanation could be that our interview participants could have a different understanding of the term innovative culture. Furthermore we can say that almost everybody of our interviewees mentioned that the elements of the previous conditions are included in an innovative culture. In addition to this it is important to mention that in most of the cases innovative culture is associated with already existing innovative projects and include all components of the project. The Publishing House “Petits” is working with revolutionary project for an information field in Latvia, which is called GAZETA.LV. It is the creation of the Internet-newspaper, where the authors of the articles and correspondents are constant Internet users. In the beginning the pilot version of the product was created as a corporate resource. That means that in the definition of the popular topics, the structure of the final product and how it finally should look like, participated everyone who has been interested inside the company. The best proposal shave been taking to working groups for having a discussion. Thus, the Publishing House “Petits” considers that the microclimate inside the project GAZETA.LV is a part of the innovative culture. In the situation, where the innovative culture is absent cannot be even started a discussion about the innovation occurrence.

Nevertheless in was possible for us to allocate some ingredients of the innovative culture from the interviews with the employees of the already well-known companies:
• Accurate hierarchy of relations. This element can help to avoid misunderstandings concerning the different tasks and views (Dombrovskis, 2008).

• Before generating new projects or introducing new ideas it should be an accurate understanding of everything what is planned and what can be carried out (Dombrovskis, 2008).

• Amicable teams and the relied collective. Joint activities in and out of working time should be done, but only under one condition that these joint activities are happening because the employees wish to do so (Pravitchenko, 2008), (Novickis, 2008).

• Motivation of the employees in the form of the encouragements, awards and rewards etc. (Novickis, 2008), (Avdejeva, 2008), (Jansons, 2008).

• When the team is established, which is going to work with innovations it is necessary to create a friendly and trustworthy atmosphere between the team members. Paying attention to the specific features of every employee, who is participating, is also important (Ushvils, 2008).

• Team members should respect other team members (Zhadejkis, 2008).

• People should not separate from each other and in the end of the project saying that it was only their idea. There is a saying in this case: “There are a lot of fathers of Victory, but Defeat is always the orphan”. (Zhadejkis, 2008) When the project is finished successfully and the results are higher that it was expected, there are always a lot of workers, who will pretend for the authorship of the idea. This is being done, especially if the project consists out of team of members. Moreover, in the situation when the project is finished with defeat, everyone will shift duties not to be responsible anymore for the idea, which failed in the end.

To conclude this chapter we would like to say that it can be seen that all the elements of an innovative culture could be related to the elements of the other conditions. After our analysis we can
say that all three previously mentioned conditions (teamwork, management participation and effective communication) could be included in a description of an innovative culture.
5 Discussion of the results

The aim of this chapter is to provide the reader with a discussion of the results gathered from the theory and during the interviews. The chapter starts with a presentation of a newly emerged condition and its relation to the already existing ones. The four major conditions (teamwork, management participation, effective communication and information flow and innovative culture) are discussed and illustrated with figures after the presentation of the newly emerged condition.

Conditions for a favourable microclimate in organisations

In the beginning of the research we discovered four basic conditions, which can ‘provoke’ innovations in an organisation in the earliest stage. These conditions were teamwork, management participation, effective communication and information flow and innovative culture. We were aware that during the research more conditions could emerge. In the stage of the literature analysis emerged only these four conditions. The result of the interviews pushed us forward in order to think about a fifth condition. Svetlana Jevdokimova, the Marketing Director of “Petits”, has mentioned this condition. In her interview she said that the main criterion is the employee’s vocational training.

“Vocational training is one of the major points in the process of creation the favourable microclimate. It does not mean that this factor is important only initially, but during the working process as well. The employees can achieve it through different trainings, seminars and additional education with the help of the courses of qualification improvement. If basically the company has a good “basis” for growing and development all the targets can be achieved with less losses and in a high professional level.” (Jevdokimova, 2008)

This statement has pushed us forward to come up with further reflections. The mentioned factor is very general and covers not only one of the stages of the innovative process but other stages as well (see also 2.1.4). Speaking more widely, the condition of vocational training of the employees is one of the core points of the company’s success. In this case we are talking about the employees’ professionalism as well. The person should never stop developing itself because it is the first step to the degradation. We think that not only the company should be modern and up to date.
the employees should behave in the same way. In our perception this issue is really important because only if the employees come up with vital and fresh ideas, the organisation can benefit from them. It works also the other way round, which means the employees benefit from the seminars and trainings offered from the companies.

Thus, the primary set of the certain criteria was supplemented by one more condition, which we would like to call **employees’ vocational training**. This is very important in an organisation and therefore this condition can be connected directly with the other four in a specific way. We would like to examine the relation between the new emerged issue and the previously discussed four issues in the following section:

1. **Teamwork.** When the team consists of the professionals who know how to do the things right and how to do the right things not only theoretically, but based on the personal experience, the work in this kind of team can be easier and more productive. The team can initially consist out of professionals, but even well skilled and educated employees are required in the improvement of the professional skills. In this case, there exist special courses and seminars (IGERT, 2008). In the process of the additional improvement of the professional skills, employees can get new knowledge in a certain area, which can “push” the person to the idea. As it was mentioned in the empirical part, that every innovation starts with a good idea (Pravitchenko, 2008), the company should use any chance to give the employees full freedom and suitable conditions where the ideas can emerge.

2. **Management Participation.** The mentioned condition can be examined from the two perspectives. The first perspective is that the management as all other employees should be well educated and willing to collaborate. Furthermore there exist special courses and seminars, which are planned especially for the management. The second perspective is that especially the management can direct or “push” the employee to visit some kind of programme for the improvement of the professional skills. In some companies the condition of the regular attendance in the conferences, seminars or courses is obligatory, because the company’s success is directly connected to this circumstance.

3. **Effective communication and information flow.** In the stage when the innovation is only arising, the effective communication and information flow plays an important role. Each inaccurate step or superfluous told word can destroy the idea and the innovation as
a result, or directly destroy the innovation in the earliest stage of its development. Professional teams should be responsible to make communication and information flow effective. Professionalism will not allow team members to make something to the detriment of the project.

4. **Innovative Culture.** Professionals are an irreplaceable component of the innovative culture. It is possible to say that it based on high skilled employees. Furthermore it is easier to work with professionals, because time for doing business is precious. As it was mentioned in the chapter “Conditions for the favourable microclimate in an organisation”, that knowledge could be shared as well from the old workers to the new ones and from the new to the old ones. It means that qualification improvement and knowledge improvement can come not only from the outside but also from the inside of the company. Knowledge should be shared and help should be giving to each other. This is a big characteristic of innovative cultures and it supports a good environment for upcoming innovations (Dombrowski et al 2007).

We decided to separate this condition from the other ones, to make it clear, that this factor emerged from our research. In the exact set of circumstances, the employees’ vocational training was mentioned in all four conditions, was the reason to allocate it as a separate factor. Furthermore the high performance workforce is the most important factor for future success in business (Schuster, 2008). According to a report from the National Association of Manufacturers and the Manufacturing Institute having a high performance workforce surpassed new product innovations, increased customer service, export sales, outsourcing and supply chain integration as a factor for business success (Schuster, 2008). It confirms once again the necessity to allocate separately the given condition from the mentioned four basic factors. However, after the research, when we came back to the theoretical level our findings have been supported by Constantine Andriopoulos (2001). In his article he mentions that the organisation should provide sufficient resources and skills that the employees are able to develop themselves. Thus we can summarize all mentioned earlier conditions and to put them into one list. The result is following:

1. The importance of teamwork and the involvement of every employee
2. The importance of management participation
3. The importance of effective communication and information flow
4. The importance of an innovative culture
5. The importance of the employees’ vocational training
We are aware of the fact that there are more conditions, which can emerge. At the given stage it is possible to confirm after the research the existence of five major conditions, which can help to create a favourable microclimate inside the company so that innovations can occur.

5.1 The importance of teamwork and the involvement of every employee

The following figure (Figure 5.1) has been taken from the analysis of this issue in order to open up a discussion about this topic. In our perception it is important to modify this figure and to discuss the results with its help.

An explanation about the original figure will not be given because an explanation of the original figure has been given in the analysis part. Instead we will go deeper into the modified one. It means that only the newly added features will be discussed.

First of all the attention will be drawn to the importance that everybody in the company should be innovative, as it has been mentioned in the theoretical framework. Therefore we added the two following features:

- Employees first, customers second (Birkinshaw, Crainer and Mol 2007)
- It is everybody’s duty to be innovative and to come up with ideas

The above mentioned statements stand for the involvement of every employee. These issues are very essential besides the importance of teamwork. They may not occur in every company, as they have been mentioned above, even though it is important to pay enough attention to them to be successful.

Throughout the process of teamwork it is necessary to hire professionals, who can provide the team with additional knowledge (Rees 2007). The individuals inside the teams can benefit from these professionals, which can push the whole team forward. The teams are able to come up with ideas and in the long run with innovations.

Another important issue regarding the importance of teamwork is that the persons within the teams should be different. Through different personalities the team can benefit from each other.
Creating favourable contexts for nurturing and managing innovations in organisations

Several opinions can be examined from different angles, which support fresh ideas as well. In the long run innovations are likelier to occur, which means not in a short period of time.

The last feature that has been added in the original figure is an arrow, which underlines the importance of the relationship between the management level and the teams. The issue regarding management participation will be discussed later on, but some aspects are necessary to mention in this part as well. The top management acts like a “champion”. They believe in the ideas of the team, support the team and nevertheless they give some criticism as well. This behaviour should push the teams ahead in order to be even more productive and innovative (Peebles 2002).
Figure 5.1: Modified figure from the team to the project team
5.2 The importance of management participation

Regarding management participation we decided to illustrate the figure in a way, where it is possible to get an overview about practical and theoretical aspects (Figure 5.2).

The management level plays an important role within this illustration. The management is in the “outside” and gives inputs to the teams, which are striving for innovations. Inputs, which can be given from the management level, as the following ones:

- Decision making
- Motivation
- Explanation
- Leading and monitoring the teams

In order to reach such a climate or rather to give and process these inputs it is necessary that effective communication will be used and a good flow of information do exist within the companies. The top management has to set the goals as well. By setting the goals, the teams know the direction in which they should go and they follow the participative guidance of the top management.

Another issue, which has been mentioned in the empirical part is, that the teams need a good working environment, which can be created by the top management. They should feel comfortable in their workplace. Such a good climate fosters a good basis for the teams to be innovative and use the management in the best way. To mention also the flip side of the coin we would like to draw the attention to the issue, that management participation can harm the progress as well. It is not all the time possible, that they have a great progress through management participation.

There are two different possibilities of how the management level can act:

- Participative position
- Active team member

In the first case they can have just a participative position. They guide the team, monitor them and support the teams with explanations.
In the second case, the management level has a position as an active team member. It means that they do not only guide the team, they are active in the team.

In the figure we try to explain it with three different colours. The green colour (arrow at the top) displays that the management level can support the team in the best way. The team can get good guidance and the process of decision-making is also an effective one.

The yellow colour (arrow in the middle) on the other hand shows that it is not the best support but still the progress of the team is acceptable. In the last case the red colour (arrow at the displays that the progress of the team is not high, the management level with its participative position is harming the team. If the management has a participative position the red and the green colours are possible.

As it will be seen in the figure the management participation can have positive and negative implications. However, it is possible to go for the less risky approach, with being an active team member, but it is not possible to give the best support, in some cases. Having teams, the management level has to decide which approach they are following.
Creating favourable contexts for nurturing and managing innovations in an organisation.

Figure 5.2: Management participation

**Innovative Projects**

- **Project Team**
  - Management Participation
- **Project Team**
  - Management as an active team member
- **Project Team**
  - Management Participation

**Management**

- Effective information flow
- Decision making
- Motivation
- Explanation

**Good Working Environment**
5.3 The importance of effective communication and information flow

In order to be able to discuss the results of the importance of effective communication and information flow more in detail, we will come up with four different figures.

![Diagram showing a two-way process between Management and Employees]

Figure 5.3: Two way process regarding communication

As it can be seen from the figure above that shows the communication process between employees and the management, it is a two way process. It means that the communication is not going only from the management to the employees. It can be the case that the communication is the other way round, from the staff up to the management. As it has been mentioned in the theoretical part about this issue it is important to have such ways of communication because without having them innovations are likelier to fail.
Creating favourable contexts for nurturing and managing innovations in an organisation

This figure shows that the process of generating ideas could be compared with an “onion”. It means that the individual starts with an idea and if it has fulfilled the requirements for this process it will go to the next layer. The individual starts as following:

- To formulate the idea
- Informed about the pros and cons
- Developing a strategy for the implementation

These requirements are necessary to access the next stage. After the individual has completed its own stage, the results will be communicated to the team. The next steps regarding this process will be explained with the help of the next figure.
Discussion of the results

Figure 5.5 is similar to the previous one, but the difference can be seen in the layers. The first layer is the team and as already mentioned above it is required “to formulate the idea, informing about the pros and cons and developing a strategy for the implementation” have to be fulfilled from the team in order to get access to the next layer. After completing the “team stage” the members of the team present the results to the highest level, the management. From this figures it can be seen that good communication channels are necessary. The ideas for possible innovations have to be communicated in the best way through a bottom-up process.

![Diagram](image)

Figure 5.6: Communication of ideas in a company

In the last figure the two previous ones were put together (Figure 5.4 and figure 5.5). The process starts again with the individual, who has to formulate the ideas, proof the pros and cons and only if the individuals are able to fulfil all these requirements they can go up to the next stage. The stage of the team has to do the same process until they reach the last level, the management level. This figure summarizes the importance of effective communication in a comprehensive way. It shows that good communication channels are needed within companies in order to be successful.
It gives an overview about figure seven and eight and it can be seen that there are three different layers, which are required during the process of communicating with each other. In order to provide these steps it is important within all companies to have regular meetings between the different layers. Through regular meetings the ideas can be communicated in a good way and in the long run innovations are likelier to occur.

5.4 The importance of an innovative culture

![Diagram](image)

Figure 5.7: Elements of an innovative culture

In the figure above we present the elements of an innovative culture, in which we include all previously mentioned conditions. Teamwork, management participation, effective communication and information flow and the following ones can be mentioned as additional attributes for an innovative culture:
Discussion of the results

- Low hierarchy within the companies
- Motivating the employees
- Empowerment (Ahmed 1998)
- Good atmosphere within the companies
- Freedom to experiment (Ahmed 1998)
- No punishments for failures
- Amicable team
- Shared understandings

The figure shows that three elements are interacting with each other. Teamwork, management participation and effective communication and information flow are dependent on each other. Without one of them it is hard to sustain the innovative culture. Additionally it is important to mention that not only these three elements are key attributes of an innovative culture. The above mentioned characteristics are important as well, due to the fact that they can be vital for a company and a climate for innovations could be created, where innovations are likelier to occur. Additionally we would like to mention that these characteristics can appear in a different way in every company. Furthermore these attributes are “special” and because of their uniqueness it is not easy to generalize and standardize them. In our point of view the strengths of these key attributes depends on the following characteristics of the companies:

- Size of the company
- Structure of the company
- Low or high hierarchy within the company
- Norms and values of the company etc.

A list of these characteristics can be continued endlessly. Every company has its own limitations and therefore one of the mentioned above characteristics of the companies can affect some key attributes of an innovative culture stronger than others may affect.

To sum up the discussion about the issues for creating favourable contexts for innovations it can be said that it is necessary for the companies to have as many attributes as possible in order to be competitive and to come up continuously with ideas and later on with innovations.
5.5 The importance of the employees’ vocational training

To illustrate the issue of the importance of the employees’ vocational training we would like to present two figures to be able to show this newly emerged condition.

The following figure draws the attention to the development of an employee within the organization.

![Figure 5.8: Development of an employee within the organisation](image)

Arrow 1 displays that every employee is supposed to have a specific knowledge and background in order to be able to “enter” the company. Being competitive within the organisation employees have to develop themselves. In order to reach this development the employees are supposed to attend:

- Trainings
- Seminars
- Additional education
- Courses
- Conferences etc.
However, arrow 2 in the middle shows that there is a steady development of the employees within the company. How the development of the employees can be explained will be shown through the following figure.

**Figure 5.9: Employees’ vocational training within the organization**

As it can be seen from the figure above, precisely the “staircase”, which can be explained as the development of an employee, we would like to say that it is a continuous and steady process. Every seminar and vocational training brings the employees to the next level, where they can apply their newly gained knowledge. As it has been said before, the vocational training is an ongoing process with a high importance within every organization.

As in many other cases the development in the early stages of a process is very high. This issue is also valid for the process of the employees’ vocational training. In the beginning, as it can be seen from the curve within the figure, the development in the beginning is extremely high, because everybody is able to gain a big amount of knowledge during the first seminars and trainings. Later
on the companies are able to benefit from the newly gained knowledge from the employees combined with their different backgrounds.

One more parallel can be also drawn to the innovation process. During the early stages of the innovation process it is also required to have a good and steady development in order to be able to come up with successful innovations.

To conclude this chapter, we are of the view that all the measures for the employees’ vocational training are very helpful throughout the entire innovation process. Through these seminars, trainings and courses etc. the employees are able to generate and develop new and fresh ideas for the organization and in the long run it is possible to come up with innovations in a successful way.
6 Conclusion

The main focus throughout our research was the organisational microclimate with its conditions and necessities for companies in the early stages of the innovation process. We focused on four major conditions, which are related to each other. Throughout our interviews we discovered that another condition occurred and plays an important role for the organisational microclimate. This very new condition is strongly related to other ones and cannot be examined without looking upon the others. The relation between this new condition and the “old” ones is also valid between the four early conditions. It means no examining without looking upon the others.

Out of this research we can say that this field needs more research. Conditions regarding the organisational microclimate are almost endless. In further research more conditions could occur, which can make it for companies easier to come up with innovations.

Another important issue regarding further research could be that they go more into a direction of “tangible conditions”. We are aware that we concentrated mainly on “intangible conditions”, which can help to create a favourable organisational microclimate, but for further investigations it could be helpful to see how “tangible conditions” influence the organisational microclimate.

To conclude we would like to mention that it was important to discover an “additional” condition, which is necessary for creating a good organisational microclimate. With the result of our research, we became more open towards new conditions and how they can affect the companies. Finally it is important that all of us try to overcome obstacles and face what is beyond of them.
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**Power Point Presentations**


Appendix I:

Interview Questions
Interview questions

1. What is your position in the company?

2. In what area is the company where you work specialized?

3. How many employees are working in the company?

4. Do you think that the company where you work is innovative?

5. In which way do you think is your company innovative?

6. Which conditions can help the company to create a favourable microclimate inside the company, so that innovations can occur?

7. Tell us about the importance of teamwork and the involvement of every employee in your company during the innovation process, especially during the initiation phase!

8. Which components are included in the mentioned above condition (teamwork and the involvement of every employee)?

9. Tell us about the importance of management participation in your company during the innovation process, especially during the initiation phase!

10. Which components are included in the mentioned above condition (management participation)?

11. Tell us about the importance of effective communication and information flow in your company during the innovation process, especially during the initiation phase!

12. Which components are included in the mentioned above condition (effective communication and information flow)?
13. Which components of the **innovative culture** in your company are possible to mention as an example for the description of a favourable microclimate. Are innovations likelier to occur?
Appendix II:
Publishing House “Petits”
Publishing House “Petits”

**Name:** Publishing House “Petits” (Izdevniecības nams “Petits” LTD)

**Address:** Peldu Street 15, Riga, LV 1050, Latvia

**Phone number:** (+371) 7088790

**Activities:**

- Full cycle of pre-printing works: gathering and processing of the information, information preparation by the editions for the printing, technological preparation of the materials for the printing (design and imposition).

- Distribution of a part of the production by forces of the own delivery service

- Own trading-intermediary service network ReklaMarket across Latvia (19 outlets) which work with realization of:
  - Reception of private and commercial announcements and a subscription to own editions,
  - Sale of tickets for all entertainment actions in Latvia (in cooperation with Bilešu Serviss)

- The company owns eight Internet projects (Publishing House “Petits”, 2008):

  - [www.gazeta.lv](http://www.gazeta.lv)
  - [www.Reklama.lv](http://www.Reklama.lv)
  - [www.BestRealty.lv](http://www.BestRealty.lv)
  - [www.Chas-daily.com](http://www.Chas-daily.com)
  - [www.Lublu.lv](http://www.Lublu.lv)
  - [www.Subbota.com](http://www.Subbota.com)
  - [www.Petits.lv](http://www.Petits.lv)
  - [www.laf.lv](http://www.laf.lv)
Year of foundation: 1991

Number of employees: 400 employees under the list of staff, 200 workers on fee contracts and 150 postmen from the delivery services (Publishing House “Petits”, 2008).

Innovative projects 2007:

- Use of new receptions of polygraphy for the Latvian market (Jevdokimova, 2008), (Avdejeva, 2008)

- Use of modern technologies for creation of the complex information products such as newspapers and Internet projects (Jansons, 2008), (Jevdokimova, 2008)

- www.gazeta.lv - a project, which is revolutionary for an information field in Latvia. It is an Internet-newspaper where the authors of the articles and correspondents are constant Internet users (Jansons, 2008), (Jevdokimova, 2008).
Appendix III:
Advertising Company “Dzelzcela Reklama”
Advertising Company “Dzelzceļa Reklama”

**Name:** SIA "Dzelzceļa Reklama"

**Address:** Katolu Street 22-205, Riga, LV-1003, Latvia

**Phone number:** (+371) 67205062

**Activities:**

- Advertising
- Manufacturing of metal constructions (from single elements to the readymade product)
- Telecommunications (Dombrovskis, 2008), (Pravitchenko, 2008), (Novickis, 2008)

**Year of foundation:** 1995

**Number of employees:** 60 employees under the list of staff (Dombrovskis, 2008).

**Innovative projects 2007:**

- In the field of metal products manufacture: new welding and mounting technology.
- In the field of advertising: new approach of social advertising. For demonstration to the client of vacant places for advertising in a city, all empty places have been given for free of charge to the social project "Club of feeding mothers". (Dombrovskis, 2008)
Appendix IV:
Electronics and household appliances Company “PROKS”
**Electronics and household appliances Company “PROKS”**

**Name:** PROKS Ltd  
**Address:** Katlakalna Street 10-300, Riga, LV-1073, Latvia  
**Phone number:** (+371) 6 7775652

**Activities:**

The company was established in 1992 and it began its activities as a wholesale trader of household appliances and electronics. At present PROKS Ltd. occupies one of the leading positions among the Latvian wholesale companies in the field of household appliances and electronics (Proks, 2008). The company has an own design salon, which is called “Virtuves Pasaule” (Virtuves Pasaule, 2008).

**Year of foundation:** 1992

**Number of employees:** 100 employees under the list of staff (Ushvils, 2008).

**Innovative projects 2007:**

- New way of design and ideas presenting for the kitchen and inbuilt home appliances modelling, using specially developed computer programs.

- The new principle of exposition creation was introduced. The idea was not to represent samples of the furniture, but the finished ideas of kitchen design, which were "entered" in the real sizes.

- Online consultation of the clients. (Zhadejklis, 2008), (Proks, 2008), (Virtuves Pasaule, 2008)
The University of Kalmar

The University of Kalmar has more than 9000 students. We offer education and research in natural sciences, technology, the maritime field, social science, languages and humanities, teacher training, caring sciences and social service.

Our profile areas in research are: biomedicine/biotechnology, environmental sciences, marine ecology, automation, business administration and informatics, but we have research proceeding in most subject areas of the University.

Since 1999, the University of Kalmar has the right to accept students in postgraduate studies and to examine doctors within the subject area natural sciences.