

HOW HARMFUL IS PLAYING POLITICS TO THE INNOVATION PROCESS AND ORGANIZATIONAL OUTCOMES?

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ABSTRACT

The main objective of this paper is to identify the influence, if any, of organizational politics on the innovation process and the performance of Mexican SME's. To this end, we designed an empirical study and applied a survey in 134 companies in the shoemaking industry.

As we expected, the results of our empirical research indicated an important relationship between innovation and organizational outcomes. The most important finding is that organizational politics did not affect organizational results; a surprising and counterintuitive fact as many authors and practitioners evaluate negatively the practice of politics inside businesses.

Keywords: Innovation Models; Organizational Politics; Organizational Performance

Purpose: The aim of this paper is to identify the influence of innovation on organizational performance. A moderating variable is the effect of organizational politics measured in Small and Medium Enterprises (SME's) involved in the footwear manufacturing industry from the state of Jalisco, Mexico.

Design/methodology/approach: We designed an empirical study and developed a questionnaire which was implemented in a representative sample of 134 companies and 421 subjects. Our methodology also included a case study and interviews. We applied the technique of linear regression analysis (OLS) and Pearson Correlation Coefficients to test our hypotheses.

Research limitations/implications: The results would be more competitive if different countries and different industries had been compared. This research is one more step in the often-neglected field of innovation and organizational politics.

Practical implications: This study provides interesting insights for managers into how to take advantage of a common behavior: the self-organization of employees with a specific goal in mind. In-company politics should not be seen as a dysfunctional or aberrant behavior but rather as a harmless factor in organizational life. Innovation should also be included as a "must think about" in all companies involved in this field.

1. INTRODUCTION

Creativity is an individual process. It occurs prior to the innovation phenomenon defined as a "group process" and requires certain skills that both individuals, and groups possess. (McLean, 2005). However, it is not possible to talk about innovation if there is no a previous creative process marking the beginning of the process; one which identifies relevant problems and opportunities, obtains information, generates new ideas and explores the relevance of these ideas (Amabile,

1998). Creativity, and therefore innovation, will be possible if diversity exists in the working group and the exchange of ideas becomes common practice among people with different experiences and different backgrounds (Kanter, 1983). Given the above, attitudes such as hostility, arrogance, autonomy, independence and introversion have no place in an organization that requires innovation and creativity at work (Amabile, 1998).

It has been more than half a century since the debate about definitions of innovation began, particularly the way in which it should be evaluated and measured. One of the first authors involved in studying this subject-area was Schumpeter (1934), who made very specific distinctions about what invention, innovation, and the diffusion of such innovation meant. In this regard it is important to comment that the "Schumpeter" approach is one of the most analyzed approaches in the empirical scope, and, as will be mentioned later, this interpretation is based on two factors (size of the company and market power) that frequently lead to a technological innovation (Alacz, 2001).

Some researchers treat innovation typically as a fully-inclusive term, even when they are referring to different events or processes. Additionally, in some research, innovation is described in one dimensional term as referring to a new idea, product or process interchangeably. In some literature innovation is described as a process of innovation (Cooper, 1998).

Robbins (1998) argues that innovation is a special kind of change because thinking of innovation "changes the way we think". While change is defined as the realization of different things, innovation refers to the application of a new idea to generate better products, processes or services. For this reason, innovation has nothing to do necessarily with the increase in budget for machinery or the hiring of specialized personnel, but with other issues within the organizational sphere.

Another, wider definition of innovation specifies that an idea used for the first time by a company or companies, with a common objective, is undoubtedly an innovation (Kimberly and Evanisko, 1981). A different group of researchers believe that innovation is an idea, practice or object that the company or an individual perceives as new (Damanpour and Evan, 1984; Damanpour, 1991). In terms of these two approaches therefore virtually any event is considered as innovation, everything is based on the perception of the innovator, and what varies is the time taken to adopt such innovation.

Innovation has been also defined as "the adoption of ideas that are new to the organization that acquires them" (Downs and Mohr, 1976; Rogers, 1983). However, the generation of new ideas or the adoption of these ideas is only the beginning (Afuah, 1999). To transform an invention into an innovation it is necessary for the idea to become something that customers really want. Having the idea therefore is only the beginning. It is also necessary to find how to process, improve and promote it until you have a service or product: this is the real challenge.

It has also been stated that there is a substantial difference between what is a technical innovation and an administrative innovation. (Afuah, 1991). While technical innovation is limited exclusively to products or services, an administrative innovation is confined to part of the organizational structure and processes of which it is composed. An administrative innovation, being much broader in its application, could affect or not or even generate a technical innovation.

On the other hand, a technical innovation does not necessarily require an administrative innovation to be generated.

A very recent definition of innovation provided by Boer et al. (2001) indicates that a product innovation is a cross functional and continuous process that involves and integrates a huge range of different skills both inside and outside organizational boundaries. To dominate the exchange and transfer of knowledge within this process requires new administrative skills. However, the effort is worthwhile because it can generate a very powerful and competitive weapon.

Van de Ven et al (2001) defined innovation more as a journey than a process, a journey that can be planned, understood, and retaken when any of the study variables change and which could also be suspended if required by the system under scrutiny. This trip was defined as "new ideas whose development and application are committed towards results desired by people who set up transactions with other parties in the midst of changing institutional and organizational contexts" (Van de Ven et al., 2001: 8).

The definition of Van de Ven (2001) refers to a process that involves several elements such as ideas, outcomes, relationships and different contexts. However, there are other definitions that may argue for the inclusion of other elements different from those mentioned by this author. This definition is one of the most comprehensive however since it encompasses several elements, although not necessarily technological ones and not involving issues of diffusion or market exclusivity. This "journey" called innovation has more to do with change and adaptation than with rigid processes.

2. LITERATURE REVIEW

2.1 Theoretical contributions on Innovation Models

According to the literature, we have distinguished two different models of innovation: the static and the dynamic.

Static models

An innovation can be classified according to the impact it has on a company (Afuah, 1999). Therefore, an innovation can be classified according to the impact it has on the capabilities of an organization, i.e., you can measure the impact of the innovation based on the effect that this innovation had on the competencies of the company. This way of classifying innovations is called "organizational vision", and it separates innovation into radical and incremental innovations. According to this classification, it is said that an innovation is considered radical when the technological know-how required to exploit it is completely different from current know-how: the latter becoming obsolete (Green, et al 1995; Zhao, 2005).

Tushman and Anderson (1986) concluded that radical innovations are "destructive" skills since they force a company to learn things quickly and adapt to a new way of working, without investing time and money. Given those circumstances, the company loses its "competitiveness" on something that was already in its domain and has to start from scratch again. Tushman and

Anderson (1986) referred to what ice making companies had to do and learn in order to switch to refrigerator manufacture. For example, it was necessary to learn about thermodynamics, electric motors and cooling substances as well as the design and manufacture of various types of materials involved in refrigerator construction: this therefore was regarded as a radical innovation.

In contrast, the same authors argue that an incremental innovation, in contrast to a radical one, enhances the power of a company. This type of innovation is based on the premise that the existing knowledge-base will be utilized in the manufacture of a new product offering (*Ibid.*). An example of incremental innovation could be when a company makes a product with certain characteristics and improved efficiency. In terms of electronic products, this might be a new mobile phone which is much smaller and has more features in terms of size/functionality ratio compared to when these phones first appeared in the 80's.

Innovation has also been classified from both economic and competitiveness standpoints. In this sense, classified as radical or drastic, innovations occur "when a product that is superior (lower cost, better attributes or new attributes) is generated and the existing products become almost automatically obsolete or uncompetitive" (Afuah, 1999:21). Non drastic or incremental innovations are characterized by existing products remaining competitive even after the introduction of a new product, for example, low-calorie soft drinks.

If an innovation is radical in the organizational sense, two fundamental problems must be overcome before it can be considered useful. First, change becomes a destroyer of competency and people do not have the capabilities to exploit the innovation, and second, it is likely that the existing competencies of the company are not only useless but become a real obstacle to the introduction and development of the innovation itself (Dewar and Dutton, 1986; Ettlie, Bridges and O'Keefe, 1984).

Even though new firms are more likely to experience good results with radical innovation, and also are more likely to succeed when the innovation is incremental, this does not happen 100% of the time (Afuah, 1999). There is no law stating that all those companies already present in the market cannot make dramatic improvements, not only to a single or specific products but to the business model or company itself.

SYNTHESIS OF STATIC MODELS AND THEIR CONTRIBUTION		
Model	Key characteristics	Contribution
Incremental-radical dichotomy	Defines innovation as incremental if current products remain competitive and radical if they become obsolete. Innovation is also defined as incremental if the competencies required to exploit it exist and radical if the required competencies are different and new.	The type of innovation is determined by the type of company making it. Companies already involved in an industry are more likely to implement an incremental innovation, while new firms are more likely to exploit a radical innovation.
Abernathy-Clark	Separates technology from market knowledge. Stresses the importance of market skills	Explains how today's companies can use radical technological innovations to enhance performance.
Henderson-Clark	Separates technological knowledge into "architecture" and "components". Defines innovation as incremental if it intensifies both these elements	Explains why the components fail in what appear to be incremental innovations but are actually architectural innovations.
Value-added innovation chain	Extends the emphasis to the entire added-value innovation-chain to include suppliers, customers and complementary innovators. The ecosystemic-competence of a company is also important.	Explains how existing companies may fail when attempting to implement incremental innovations, although they can succeed when implementing radical innovations.
Strategic Leadership	Explores the role of top-level management (CEO) in the adoption or non-adoption of an innovation.	Explains why some more established companies are the first to embrace radical innovations.
Amount and quality of new knowledge	Not just the content of the new knowledge itself, but also what the new knowledge represents and the relationship between this knowledge and the development of the product or service.	Explains the reason why superior technologies are not always successful.
Appropriability and complementary assets (Teece)	Exploiting an innovation requires more than just technological skills: the innovation appropriability regime and complementary assets are also important.	Explains why inventors are not always those who benefit from an innovation.

Source: Created by the authors based on Afuah (1999: 43)

Dynamic models

Utterback-Abernathy dynamic innovation model

These authors traced the route that a technological innovation follows, beginning with the very dynamic functional processes and ending with the following three phases: the fluid, the transitional, and the specific. The initial fluid phase is characterized by great uncertainty (both market and technological). As a result of the flow of new technology the firm decides to invest in the new product. In addition, there is always the fear that failure to do so could result in the loss of a significant opportunity. At this stage the innovation process itself has little relevance: what really matters is the product characteristics.

Utterback and Abernathy (1978) called the second stage the 'transition' phase. During this stage learning by producers about consumer needs and certain standardization is generated: this is what the authors called "dominant design", where the degree of uncertainty dramatically decreases and experimentation is primarily limited to a base product. Almost all competitors share the same design and a certain loyalty is generated by consumers for a particular manufacturer due to the use

of certain materials. At this stage, the rate of product innovation decreases, and the emphasis is placed on the development of the process, with competition being based on product differentiation.

In the third phase (the 'specific' phase), there is significant proliferation of products created which are similar to the dominant design. There is an increase in specialization and an improvement of processes for the same product at this stage, and there is also a desire to buy from more specialized niches but at a lower cost. This phase is also characterized by the small differences between products in the field. The phases described in the Utterback and Abernathy (1978) model will be repeated if a new competitor enters the market with a new change or improvement to the product or process, forcing the industry to improve and restart the cycle. Usually there is more than one company trying to access the market: these companies force those already established to modify their competencies. In addition, established companies are continually striving to innovate and improve their processes and accelerate their learning about new innovations in the field.

The Christensen, Anthony and Roth Company's evaluation Model

Christensen, Anthony and Roth (2004) divided the study of innovation into three important areas based on the 3 types of innovation that can arise inside of a given company:

1. **Disruptive innovation theory:** this theory states that all new organizations can use technology, such as phones, cameras or copy machines simply and cheaply. They also state that this type of innovation can be bought and slightly modified by the company who buys it for its own benefit.
2. **Value chain evolution theory:** this theory focuses on the accurate organizational design necessary for a company to compete successfully and succeed, by adding value to each part of the service process (internal or external).
3. **Processes, resources and values theory:** this theory examines the strengths and weaknesses of a company and these are related to the resources that the company owns (what the company has), its processes (how the company works), and the company's values (what the company wants to do through the expertise of its employees). All of the aforementioned are related to the realization of competencies and the uniqueness of these competencies to a specific company.

The Swan, Newell, Scarbrough and Hislop model

These authors examine the difference between the cognitive model and the community model. They state that the essence of the cognitive model is based on a fact analysis located in the human memory and mostly used for data and fact storage. Due to this, company management should be focused on codifying and saving knowledge. The cognitive model on the other hand examines objective and analytic technology.

The community model presents innovation as a social process carried out by individuals and based on their experiences and background. Knowledge can be transferred through social processes using networks which include occupational groups and teams.

The main task of upper management is to support knowledge-transfer through trust and collaboration by means of efficient networks inside the organization (Swan, Newell, Scarbrough and Hislop, 1999).

In addition to the contribution of a Swan et al (1999) relating to the previously-discussed “human factor”, we can also understand that everybody involved in the process of innovation-adoption can play one or more roles (Afuah, 1999). The roles we are referring to are: idea-generators, gatekeepers, sponsors, champions and project-managers among others. These authors also argue that if any of the roles are skipped the innovation and its process could be seriously compromised.

In order to give a brief conclusion about innovation and show how it connects to the subject that follows, we must say that innovation in any organization cannot take place without a process being followed in which all those involved are aware of the role that each individual plays in the process itself.

The process an innovation has to go through before it can be implemented will undoubtedly give rise to various “issues”. These ‘issues’ may well be considered problems, and many authors have identified them as detractors in human relationships. In organizational politics ‘issues’ can be regarded as either supportive or problematic, but they cannot be ignored.

2.2 Theoretical contributions on Organizational Politics

As we stated in a previous document, we understand politics *as the accumulation and the exercise of power to reconcile different interests*; that is why we believe that a company, no matter its size, is involved in politics every day (Ramirez, Baños and Orozco, 2014).

Astley and Sachdeva (1984) define power as the capacity of social actors, (such as members of an organization) to achieve objectives. Power has also been characterized as a social construct that is perceptual in nature (Fiol, O'Connor and Aguinis, 2001). In this same vein, Madison et al. (1980) defined company politics as the process or administration of influence, while power has been characterized as a reserve of potential influence. Power is not the same as formal authority, since this is the preserve of the owner of the company. Power is derived from possession of resources: of these the most important are information and knowledge, both for acquiring other resources and solving problems.

Organizational power is a function of company structure and is inherent to the position of the individual in such a structure; power provides access to people, information and financial resources, among other things. For this reason, those who have power currently will seek to retain it, reinforcing the existing structure of the organization (Astley and Sachdeva, 1984). That is why some individuals within the company feel that ‘it’s worth the effort to get involved with organizational politics in order to preserve or to acquire power.

An individual or a subunit of the organization will increase their power to the extent where they are capable of dealing with situations of high uncertainty. The knowledge of how to solve a problem translates into power. However, this happens under certain circumstances; the individual

or the subunit must have some kind of monopoly on the information required to solve problems and not be easily replaceable. In this way power is distributed unevenly among the members of the company; the control of the organization lies within the subunit responsible for addressing the most problematic areas.

Political activities in a company should be delineated so we can talk about the organizational politics that we will discuss in the empirical study. In respect of this, within a company, what kind of activities can be considered as politics? In the definition that we propose, built from the contributions of different authors (Butcher and Clarke, 2003; Connor and Morrison, 2001; Drory, 1993; Kacmar and Carlson, 1997), the term *organizational politics* is used to refer to the *conscious behavior that individuals, with the strategic intentionality of obtaining or improving positions of privilege within the group, use to reconcile different and even conflicting interests and objectives* (Ramirez, Baños and Orozco, 2014).

2.3 The relationship between Organizational politics and innovation

Political activities in a company should be delineated in order to allow for discussion, and this will be reviewed in the corresponding empirical study presented in this paper. In this sense, within a company, what kind of activities can be considered as politics? The first position assumes that political activity is not inherent to all organizational interactions, but represents a continuum between fully rational and politically-biased organizational decision processes (WeissenbergerEibl and Teufel, 2011). According to this view, the political nature of decisions is contingent on specific contextual preconditions. In the models of Pfeffer (1981) and Piercy (1986), the degree of conflict and therefore the political “degree” of a resource allocation decision depends upon structurally determined factors, such as; the heterogeneity of interests, the interdependency between actors and the scarcity of resources which result from mutual task dependence. This mutual task dependence goes along with the organizational differentiation that is necessary to cope with environmental complexity (Lawrence and Lorsch, 1967).

A second and more radical strand assumes that political activity is inherent to all interactions and therefore is a constitutive element of organizations. Consequently, by referring to a well known metaphor, Crozier and Friedberg (1979) describe organizations as the “entity of interconnected political games”. In this view, the question of to what degree decisions are political becomes obsolete.

Some consider organizations as only “rational arguments” for the ex-post-legitimization of individual or group preferences (WeissenbergerEibl and Teufel, 2011).

As a result, organizational decision making is less determined by structures than by the nature of political processes. It is assumed that political games are bound to specific situations and cannot be subject to generalization, and the methodological focus therefore is mostly qualitative (WeissenbergerEibl and Teufel, 2011).

Organizational politics have two fundamental characteristics. The first of these is influence on decisions taken at the strategic level (Eisenhardt and Bourgeois, 1988) that also affects the entire group, as well as in the exercise of power. This is because the group determines the activities necessary to win, hold, or resist power (Poon, 2003). The second fundamental characteristic of organizational politics is political behavior, which is used to bargain for or perpetuate certain

interests: indeed some managers view this behavior as ethical and necessary. Nevertheless, political action as inappropriate distribution of organizational outcomes leads to jealousy and resentment among employees, who will consequently use political action to manipulate their work.

Organizational politics in the company covers behavior which occur informally within an organization and includes intentional acts of influence designed to protect the career of the individual when there are different conflicting courses of action in the enterprise (Connor and Morrison, 2001; Drory, 1993). Organizational politics has also been related to the social influence wielded by those who can provide rewards that help to promote or protect the personal interests of the individual (Kacmar and Carlson, 1997).

The perception of organizational politics, as defined above, occurs in all organizations and can be understood as a political entity. The perception of organizational politics does not depend on the type of organizational structure or organizational system because it presents both a rational bureaucratic system and an authoritarian centralized scheme. The perception of organizational politics will vary and will have different effects depending on the type of organization. However, it is inevitable that it will eventually appear in the decision making process, as has been demonstrated (Eisenhardt and Bourgeois, 1988).

The fact that political issues surrounding the (re) allocation of resources are especially relevant in processes of innovation was also recognized by Niccolo Machiavelli cited after Rogers and Shoemaker, 1971, p. 174:

The innovator makes enemies of all those who prospered under the old order and only lukewarm support is forthcoming from those who would prosper under the new [...] because men are generally incredulous.

Although not explicitly referring to organizational politics, the potentially dysfunctional effects of interdepartmental conflict or power asymmetries on the performance of a firm's innovation system have already been discussed by Lawrence and Lorsch (1967) Cooper (1985), Souder (1988), Rotemberg and Saloner (1995), Kahn (1996, 2005), Tjosvold and Poon (1998) and Kohn (2006). By focusing on the early phase of NPD, Kohn (2006) argues that it is fruitful to have a certain degree of interdepartmental conflict, while at the same time recommending that management takes measures to enable an understanding of each other's functional perspectives (Kohn, 2006).

This is important because if there is conflict in a specific department regarding the selection of those who will be involved on the innovation process itself, feelings of envy may be generated. This could result in a significant slowdown of the innovation process, and instead of widening the scope for contributions and improving efficiency; the organization will face significant difficulty in gathering participants and incorporating them into the event.

When we talk about inviting selected people to be part of an innovation process, we must understand the certainty of conflict within the organization due to the fact that it is not possible to include everybody. In their analysis, Burns and Stalker (1961) use the concept of the firm as a political system whose members compete for overall resources and put their self-interest before the company's functional wellbeing. In this sense, far from being an acceptable level of competition demonstrated for the benefit of one's peers this element of conflict is unfortunately simply human nature.

Similarly, Crozier and Friedberg (1979) and supported by Mintzberg (2002) consider the organization as a political arena within which political games take place between members which can take very different forms, as illustrated in Buchanan and Badham (2008). It follows therefore that organizations cannot be viewed as monolithic and homogeneous entities with shared goals among their members (Mintzberg, 1983).

3. METHODOLOGY AND HYPOTHESIS

3.1. Sample

For the purposes of the present study 117 companies were taken as valid, this being the number provided by the Mexican Business Information System (2003). In addition, we added 17 more to bring us in line with the number of companies given by the Footwear Manufacturers Chamber of Commerce. The study used a snowball strategy or multiplier (Sincich, 1996) and encompassed a total of 134 companies; those that were located using the complete list provided by the Footwear Manufacturers Chamber of Commerce, those that located through the Yellow Pages and those located through references provided by employers.). In this way, we reached enterprises and workshops that did not appear in any type of record. We interviewed 421 employees at different organizational levels in the 134 companies we addressed: the results of this study are based on the 421 answers we received.

3.2 Design of instrument to collect information

Despite the general belief that organizational politics can be studied in a company in order to analyze organizational support, it has been demonstrated using multiple regression analysis that organizational politics represents a useful construct and one worthy of separate study (Randall et al., 1999). Our study also used multiple regression analysis (OLS) to verify the importance of each variable and the reliability of their respective correlations.

The particular variables described and analyzed in this paper are: INNTOT (cumulative innovation variable on the database), RGRALES (cumulative general results variable on the database) and POPs (cumulative perception of the organizational politics variable on the database). We will describe these variables briefly prior to stating the hypothesis of the study.

The INNTOT variable is composed of the average obtained from the 421 responses of the study and the following dimensions: willingness to experiment, willingness to take risks, innovator fame and timeframe necessary for an innovation to evolve. Each one of these variables has at least 2 items that were answered by the respondents.

Yeung et al., (2000) define innovation as the willingness of the organization to experiment and take risks. These authors turned this concept into a tangible and measurable variable by dividing it into four dimensions: willingness to experience, willingness to take risks, innovative fame and timeframe for innovation cycle. We will define these components as follows:

1. **Willingness to experiment:** the degree of willingness perceived by members of the company to perform various tests on the products and processes of the

organization. (Munton and West, 1995; Mumford, 2000; Rainey, 1999; Hurley and Hult, 1998).

2. **Willingness to take risks:** is the degree to which the company is prepared, calculating the costs and the benefits, to make mistakes and to learn from them without penalty to the performers. (Motions and Saks, 1996; Afuah, 1999; O'Reilly, 1989).
3. **Innovative fame:** the degree to which the company is perceived by those who work within it, as a company that takes the lead before its competitors in the launching of new products or designs. (West, 1987; Capon, et al., 1992; Avlonitis, et al, 1994; Kano, 1984; Lyon, et al., 2000; Cavender, 2007).
4. **Timeframe for innovation cycle:** the degree to which the company personnel perceive that the company reacts (reaction time) to the requests of their clients and the time that it takes to create and bring to market new products. (Morrison, 1997; Subramanian and Nilakanta, 1996; North and Smallbone, 2000).

The RGRALES variable is composed of the average obtained from the 421 responses covering the ten items used in the study. In contrast with the INNTOT variable the RGRALES does not have any dimensions; it was built upon the ten items developed for this purpose. We will refer to this variable as the "performance" of the company since General Results (RGRALES) reflects the perception of the employees towards company outcomes.

In respect of general results (company performance), in several investigations the interviewees were asked directly about the volume of sales or net profits of the company (Belausteguigoitia, 2000).

However, there might be some bias in a question asked so directly, so we followed the example of Yeung et al. (2000), and adapted and modified the questions. We wanted to measure on one hand, the perceptions of managers and employees of both the financial and general results (performance) of the company compared to its main competitors. Yeung et al (2000) included the following items: IT and hardware, relationships with customers; relationships with suppliers; relationships with the government, staff turnover, marketing and sales, production capacity, volume of sales, profits, and overall financial result. In addition, we asked about financial results specifically, but this time in relation to personal: Yeung et al. (2000) included: sales volume; profits and financial results in general.

We used ten items to ask about general results specifically:

GENERAL RESULTS ITEMS

RG1. In comparison with our principal competitors our Company has worse IT software and hardware.

RG2. In the last year, our company has developed and maintained better relationships with our customers than our principal competitors.

RG3. The company has developed and maintained better relationships with our suppliers than our principal competitors.

RG4. In the last year, our company has developed and maintained better relationships with the government than our principal competitors.

RG5. Our company has a smaller staff turnover rate than our principal competitors.

RG6. In the last year, our company has developed better sales strategies than our principal competitors.

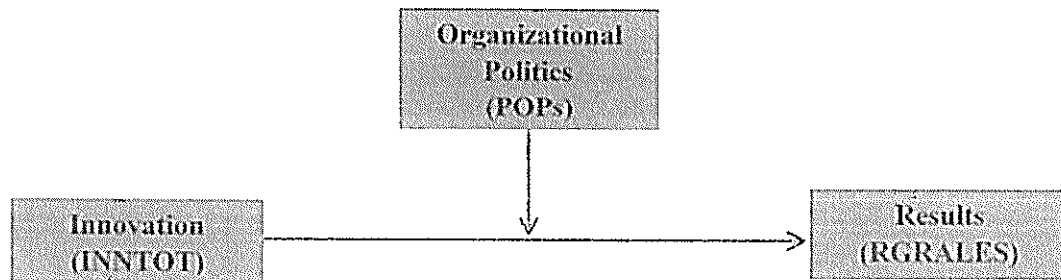
RG7. In relation to our principal competitors, our company has greater production capacity.

RG8. Our company has higher sales volume than our principal competitors.

RG9. Our company has higher profits than our principal competitors.

RG10. In general, our company has better financial results than our principal competitors.

Finally, the Perception of Organizational Politics (POPs) is a variable composed of the average obtained from the 421 responses of the study. The dimensions used to reach this cumulative result were as follows: General Political Conduct, Political Behavior of Permanency and Payments and Promotions. Each one of the components of this variable has at least two items answered by all the respondents.

3.3 HYPOTHESIS

H1 = the perceived degree of innovation will positively affect the general results of the company

H2 = the perceived degree of innovation is influenced by the perceived organizational politics and this relationship will affect the general results of the company.

4. FINDINGS

Table 1: Pearson correlation coefficients for Hypothesis 1 and 2 Correlations							
		INVEX	INVRI	INFAM	INCIC	RGRALES	POPs
INVEX	Pearson Coefficients	1					
	Sig. (2-tailed)						
	N	421					
INVRI	Pearson Coefficients	.596**	1				
	Sig. (bilateral)	.000					
	N	421	421				
INFAM	Pearson Coefficients	.098*	.126**	1			
	Sig. (2-tailed)	.044	.010				
	N	421	421	421			
INCIC	Pearson Coefficients	.093	-.011	.045	1		
	Sig. (2-tailed)	.056	.819	.359			
	N	421	421	421	421		
RGRALES	Pearson Coefficients	.529**	.450**	.408**	.098*	1	
	Sig. (2-tailed)	.000	.000	.000	.045		
	N	421	421	421	421	421	
POPs	Pearson Coefficient	.104*	.047	.072	-.066	.188**	1
	Sig. (2-tailed)	.032	.337	.143	.180	.000	
	N	421	421	421	421	421	421
**. Correlation is significant at the 0.01 level (2-tailed). *. Correlation is significant at the 0.05 level (2-tailed).							

Table 2: OLS regression model to remove INCIC dimension Coefficients ^a					
Model	Unstandardized coefficients		Normalized Coefficients	t	Sig.
	B	Type error	Beta		
1 (Constant)	1.000	.100		10.000	.000
INVEX	.367	.020	.580	18.031	.000
INVRI	.197	.022	.287	8.922	.000
INFAM	.185	.020	.240	9.273	.000
INCIC	.025	.014	.046	1.783	.075
a. Dependent variable RGRALES					

Table 3: OLS regression Model for Hypothesis 1 Coefficient ^a					
Model	Unstandardized coefficients		Normalized coefficients	t	Sig.
	B	Type error	Beta		
1 (Constant)	.850	.089		9.550	.000
INNTOT	.795	.026	.835	31.048	.000
a. Dependent variable RGRALES					

As we observed on the Pearson correlation coefficients, (Table 1) the innovation dimension called "INCIC" (meaning "period of time needed to produce an innovation") obtained the lowest correlation coefficient in its relationship with general results and also with the POPs dimensions. In table 2 we can observe that the INCIC dimension was the only one that obtained a beta of .025 but a significance level of .075.

We also decided to remove this INCIC dimension because the results obtained for this variable at the end of the study were not related to the perceived level of innovation for the subjects interviewed, who were employed in the footwear industry. We will examine this in depth in the discussion and conclusion section.

In order to confirm the first hypothesis stated above, we used an Ordinary Least Squares (OLS) model. Table 1 shows the results for the relationship existing between INTOT and the general results of the company.

The R^2 of the model is 0.697, so this can be considered a satisfactory explanation and a confirmation of hypothesis 1. As we can see, the analysis obtained a Beta of .795 which is considered a confirmatory result and supports hypothesis 1.

Table 4: OLS regression Model for Hypothesis 2 Coefficients ^a					
Model	Unstandardized Coefficients		Normalized Coefficients	t	Sig.
	B	Type error	Beta		
1 (Constant)	.656	.102		6.420	.000
INNTOT	.785	.025	.825	30.965	.000
POPs	.072	.019	.099	3.713	.000
a. Dependent variable RGRALES					

The R^2 of the model improves to 0.707. As pointed out in the second table, the beta was modified to a value of .785 which also confirms hypothesis also No. 2. Even If the beta value decreased, as it was positive hypothesis 2 was confirmed.

The influence of POPs on the General Results of the company is not significant according to the numbers obtained from this OLS analysis.

Table 5. Pearson Correlation coefficients Correlations				
		RGRALES	POPs	INNTOT
RGRALES	Pearson Coefficients	1		
	Sig. (2-tailed)			
	N	421		
POPs	Pearson Coefficients	.188**	1	
	Sig. (2-tailed)	.000		
	N	421	421	
INNTOT	Pearson Coefficients	.641**	.103*	1
	Sig. (2-tailed)	.000	.034	
	N	421	421	421
** Correlation is significant at the 0.01 level (2-tailed)				
* Correlation is significant at the .05 level (2-tailed)				

5. DISCUSSION

As has been seen, the studies that relate innovation to company results are widely known and most of them confirm the type of positive relationship that was found in the results. However,

and as the regression model itself makes clear, there are aspects that can be explored in order to explain this positive effect convincingly.

Throughout the investigation, we found that the way in which innovation is perceived by employees is fundamentally linked to company performance. We found that employees perceive that the elements allowing their organization to have innovative competence are also those elements more likely to support workplace experimentation and be motivational. These are also organizations in which superiors encourage employees to innovate and not worry significantly over the possibility of failure. This attitude of allowing employees freedom to experiment and to make mistakes without being punished, engenders positive feelings in the workers about their employer.

As previously outlined, we decided to remove the INCIC innovation dimension because of two factors: the relative insignificance of the results obtained from the OLS analysis (significance level was .075) and the fact that the results were affected negatively because of this (timeframe for an innovation cycle).

The timeframe for an innovation cycle (INCIC), as we discovered, is not something explicitly recognized by employees, unlike the innovative fame for example. This is because the timeframe for an innovation cycle is different for each company depending on circumstances such as average age of employees, gender, and, most importantly, the size and age of the company. For instance, if the company is young, the timeframe of the innovation cycle usually is shorter than in an older company. This phenomenon occurs because the owners tend to be younger and to hire younger employees who may be more flexible than more experienced workers.

It is important at this stage to revise the hypothesis to confirm that, in essence, innovation has a positive influence since, as was stated above, this variable alone can generate a different perception amongst employees about the overall results of the company.

In addition to the above, innovation in a company is essential for its future survival. Employees of SMEs in the footwear sector in the State of Jalisco agree that the ability to innovate is crucial to the pursuit of excellence in an environment as competitive as this sector.

Mexican SMEs and the employees who work in them must feel part of a stable organizational environment in order to maximize performance at work. For this reason the recognition and development of new systems of support for ideas is very important for these employees in order to provide as a basis for the development of a competitive advantage based on innovation (Zhao, 2005).

However, at this point in time no studies have been conducted investigating the influence of POPs on innovation and company results. Determining this moderating effect through the verification of hypothesis 2 opens a new field of possibilities for both academics and managers spheres. Even though the result of the moderating- variable POPs was a modest Beta of .072, it is still necessary for this variable to be studied in further investigations.

It is clear that one of the ways in which this research could be improved is through the design of a more complex interaction model permitting the discovery of subtleties that the analytical technique employed here does not allow. However, we consider that the exploratory purpose of this study opens the door to future research that confirms the nature of the positive influence of POPs on both innovation and general company outcomes.

6. CONCLUSIONS

As we observed in the results and discussion, innovation has a positive relationship on the performance (RGRALES) of an organization. In our study POPs did not affect the results in the proposed model and therefore did not help to improve the model in any way. We can conclude that in fact it is not harmful to play politics, at least in Mexican SMEs.

It can be seen that the companies we analyzed have some processes designed to develop innovation (new products and processes) and that employees are aware of them. Also the results showed that POPs is not a negative component when referring to improving the results of a given company, even if it didn't help to improve the model on the OLS analysis.

What encourages us to suggest a re-evaluation of whether POPs should be included in all the dimensions of innovation and its possible relationship with a company's general results is the Pearson correlation coefficient obtained between these two variables (.188**), and also the .103* obtained between POPs and innovation. Both results will give us the opportunity in future research to explore the relationship between each one of the dimensions of POPs and the 3 dimensions of innovation and any relationship with the general results of the company.

Even if there is a Perception of Organizational Politics within the organization, we could observe that in contrast to other studies carried out by different authors, Mexican companies can react positively to politics in the labor context, but this reaction doesn't affect the general performance of a company.

We must consider politics not only as a negative factor in the organization but as an opportunity to improve performance and organizational outcomes. The Perception of Organizational Politics (POPs) is a variable that should be revised in further investigation using another Mexican industry for study. Results may vary if a sector as complex as the maquiladora industry is studied, as we know this sector has a significant gender in balance. We consider that gender could be a factor influencing results if the same survey is used to collect information on the maquiladora industry.

We suggest that components for inclusion in further investigation that may broaden the scope of the research may comprise the following: age and gender of employees and variables such as organizational climate and core competences.

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