

THE MEANING AND IMPORTANCE OF INNOVATION

Timeframe:	Minimum of 30 hours
Learning outcomes:	<ul style="list-style-type: none"> • Reflect critically on the meaning and importance of innovation for the future sustainability of organisations, industry sectors, and economies • Explain the critical factors for innovation success and how to diagnose these in an organisation
Recommended book:	<ul style="list-style-type: none"> • Chapters 1 and 2 in Trott, P. 2012, <i>Innovation Management and New Product Development</i>, 5th ed., Harlow, Essex: Pearson Education Limited.
Recommended articles:	<ul style="list-style-type: none"> • Bjorklund, T., Bhatli, D., and Laakso, M. 2013, 'Understanding idea advancement efforts in innovation through proactive behaviour', <i>Journal of Research in Marketing and Entrepreneurship</i>, 15 (2), 124-142. • General Review, 2013, 'Creating a culture of innovation', <i>Development and Learning in Organizations</i>, 27 (2), 26-29. • Jaruzelski, B., Loehr, J., and Holman, R. 2013, 'The Global Innovation 1000: Navigating the Digital Future', <i>Strategy+Business</i>, Issue 73, Winter 2013. • Matzler, K., Bailom, F., von den Eichen, S.F., and Kohler, T. 2013. 'Business model innovation: coffee triumphs for Nespresso', <i>Journal of Business Strategy</i>, 34 (2), 30-37.
Recommended multimedia:	<ul style="list-style-type: none"> • Jobs, S. 2010, 'Steve Jobs talks about managing people', http://www.youtube.com/watch?v=f60dhe14ARg (accessed 28 March 2014). • Roddan, M. 2014, 'Creating a Culture of Innovation in the Workplace', http://www.youtube.com/watch?v=GILe1P0qXs (accessed 28 March 2014).
Section overview:	<p>In this opening section, we investigate the meaning of innovation by (1) defining it from several perspectives and (2) considering different typologies and approaches to innovation. Significant to our discussion is the understanding of the concept of levers in both the business model and the technologies of an organisation.</p> <p>The section concludes with success factors in innovation management including approaches used to diagnose the health of innovation in the organisation. Some important issues emerge from this section, including the impact of role players on taking ideas through to innovation, the need for cultural change, and a possible DNA for innovators.</p> <p>We cannot overemphasise the need to read widely and draw on the learning from other modules in a Master's programme. You are also encouraged to use the glossary of terms at the end of this study guide where you will find useful definitions such as "business model". This is especially important for those of you who want renewed clarity on important concepts that form part of other modules and whose meaning has significant bearing on the understanding of this module.</p>

Defining Innovation

Many authors argue that innovation, as a management topic, has not reached its full stature. A number of surveys on how companies innovate indicate that while there is a distinct need to innovate there is widespread dissatisfaction with how innovation is carried out (Trías de Bes and Kotler, 2011:1). Further, innovation has been largely associated with technological innovation akin to research and development with less emphasis being directed at other forms, including business model innovation, process innovation, marketing innovation, and innovation in other functions of the organisation (*ibid*).

There are also several competing views on innovation, for example, inside out versus outside in. Consider the excerpts from Boyd and Goldenberg (2013:2) and Alain Breillatt, Nielsen Company's product management director (in Gallo 2011:126):

The traditional view of creativity is that it is unstructured and doesn't follow rules or patterns. That you need to think "outside the box" to be truly original and innovative. That you should start with a problem and then brainstorm ideas without restraint until you find a solution. That you should go wild making analogies to things that have nothing to do with your products, services, or processes. That straying as far afield as possible will help you come up with a breakthrough idea. We believe just the opposite ... better and quicker innovation happens when you work inside your familiar world.

(Boyd and Goldenberg, 2013:2)

We're drowning in a sea of technological crap [sic], because every product that is released to the market is a result of multiple compromises based on decisions by the product manager, the engineering manager, the marketing manager, the sales manager and everyone else who has skin in the game as they prepare the offering to meet what they think are the target customer's needs. The reason Jobs and Ive [Apple design guru] get it right is because they design sexy products with elegant and simple interfaces – for themselves. Then they count on their hip gaggle of early adopters to see it the same way. Once the snowball starts rolling, it's all momentum from there.

(Alain Breillatt, director of product management, Nielsen Company in Gallo, 2011:126)

These two excerpts demonstrate inside-out approaches, which appear to run counter to traditional outside-in thinking by market researchers and customer-centric product development managers. Gallo (2011:127) argues that "transformational breakthroughs are rarely the result of focus groups". He supports this by citing Jobs's iTunes store, the iPhone, and the iPad – none of which customers asked for and yet customers cannot imagine living without now. This is not to say that successful innovators do not keep their ears to the ground; it merely suggests that context plays a big role in how innovation takes place.

What also appears to be clear is that the highest ratings for innovation are given to business ingenuity in terms of "products, customer experience, business models, and processes" and whether "technology forms part of innovation is irrelevant" (Trías de Bes and Kotler, 2011:2). This suggests a much wider view of innovation – one that is inclusive of all aspects of the organisation, including supply chains and other strategic alliances.



- Innovation is still a developing management topic.
- Innovation is not limited to products (goods and services) – it also includes processes.
- There are many competing ideas on how to innovate successfully (both inside out and outside in).
- Innovation takes place across all functions of the organisation and extends to supply chains and strategic alliances.

Given the many competing perspectives, it is useful to start by defining innovation using a range of sources to draw out similarities and differences.



Innovation is "invention plus exploitation". It is "the embodiment, combination, or synthesis of knowledge in original, relevant, and valued new products, processes, or services."

(Harvard Business Essentials, 2003:2)

Innovation is a "growth engine and has been found to be a predictor of business success ... in the age of networked knowledge, the competitive advantage of a firm lies in its ability to capitalise on innovation ... the implementation of a new significantly improved product (good or service) or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations ... innovation is a collaborative and ongoing effort which draws on the combined knowledge and insights of the individuals working in various functional departments both within and outside the firm."

(Wong, 2013)

"**Innovation** should also be understood as developing an innovative culture within the company, which is what will enable it to produce and bring out onto the market a steady stream of smaller, incremental innovations. That's when, as paradoxical as it might seem, radical innovation eventually appears ... a company that hasn't developed the innovative habit can hardly expect to perform well when it comes to extraordinary innovations."

(Trías de Bes and Kotler, 2011:4)

Innovation is "a new way of doing things that results in positive change. It makes life better. Innovation increases productivity, and productivity increases the possibility of higher income, higher profits, new jobs, new products, and a prosperous economy."

(Gallo, 2011:x)

Innovation is "not a single action but a total process of interrelated sub-processes. It is not just the conception of a new idea, nor the invention of a new device, nor the development of a new market. The process is all these things acting in an integrated fashion."

(Myers and Marquis in Trott, 2012:15)

Innovation is the "management of all the activities involved in the process of idea generation, technology development, manufacturing and marketing of a new (or improved) product or manufacturing process or equipment."

(Trott, 2012:15)



Task Questions

1. Compare the range of definitions given above – what are the commonalities and differences? What has not been said?
2. Carry out your own desk research on definitions of innovation. What other themes emerge as being significant?
3. For students who have completed the MBA Competitive Strategy module, think back to the discussions you had in this module – there were two competing themes. The one being outside in (Porter's Five Forces) and the other being inside out (the resource-based view). How important do you think it is to align innovation management with the strategic view of the organisation? Be mindful of this and the link between competitive strategy and innovation as you progress through this module.

Several of the definitions imply a process best represented as:

Theoretical conception (idea) + technical invention + commercial exploitation = Innovation

As Trott (2012:15) points out, innovation is the result of intelligent thoughts or ideas converted into an invention and then exploited commercially. An idea in itself is not an innovation and neither is an invention.

Kong (2013) argues strongly for management involvement, particularly as innovation in organisational processes is likely to change the established course of work and this is likely to disrupt current business operations. Innovation is inherently costly, risky and can be unpredictable, and therefore management involvement is a prerequisite to successful innovation.

Read the following journal article. Bjorklund, Bhatli, and Laakso's (2013) research looks at how ideas are not just generated, but how they are developed into actualised innovations. Review their findings. This research also highlights the cross-cutting concepts of creativity, change, and entrepreneurship.



- Bjorklund, T., Bhatli, D., and Laakso, M. 2013, 'Understanding idea advancement efforts in innovation through proactive behaviour', *Journal of Research in Marketing and Entrepreneurship*, 15 (2), 124-142.



Task Questions

1. Discuss the following statement by Bjorklund *et al* (2013): "Creativity by individuals and teams is necessary, but not a sufficient condition for innovation".
2. Bjorklund *et al* (2013) propose "the support for idea advancement behaviour across organisational levels and functions instead of identifying individual [innovation] champions". In your experience, does focusing on prominent ideas and product champions overshadow equally important collective grass root level contributions to innovation in your organisation?
3. In your experience, what contributes to innovation inertia (apathy)?

Types of Innovation

Here we highlight types of innovation before considering potential levers of innovation:

- Generic typologies of innovation;
- Incremental versus radical innovation; and
- Frugal innovation.

Generic typologies of innovation

The table below provides examples of the different types of innovation found across organisations.

TABLE 1: TYPOLOGY OF INNOVATIONS

Types of innovation	Examples
Product (good and/or service) innovation	The development of a new (good or service): <ul style="list-style-type: none">• New product – the iPhone• New service – Internet-based taxi service
Organisational innovation	A new business venture such as Regenesys Investments or a new system such as an internet-based employee self-service human resource management system
Process innovation	The development of a new manufacturing process such as Pilkington's float glass process
Management innovation	A new quality management system
Production innovation	Use of robotics
Commercial/marketing innovation	Big data analytics and integrated social media marketing
Supply chain	Net environmental impact and green strategies

(Trott, 2012:17)