Technique

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INNOVATION MANAGEMENT

Innovation management is the successful introduction of something new: it is the embodiment and synthesis of knowledge in original, relevant, valued new products, processes, or services (Luecke and Katz, 2003).

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CONTENTS

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OVERVIEW

The concept determines the critical factors of innovation management. It reviews the managerial practices of successful innovators and summarises the strengths and limitations of innovative approaches.

Definition

Innovation management is the active organisation, control and execution of processes, activities, and policies that lead to the “creation of substantial new value for customers and the firm by creatively changing one or more dimensions of the business system” (Sawhney et al., 2006).

Description

Innovation management is the successful introduction of something new: it is the embodiment and synthesis of knowledge in original, relevant, valued new products, processes or services (Luecke and Katz, 2003). To do this, firms require production knowledge, skills and facilities, market knowledge, a well-functioning distribution system, sufficient financial resources and so on (Fagerberg et al., 2005). Types of innovation to be managed include product innovation - the creation of new or improved goods and services - and process innovation, concerning improvements in the way goods and services are produced. In their report on leadership for innovation, Munshi et al. (2005) show how organisational design is linked to innovation. More specifically, Tidd et al. (2001) classify the innovation management process into four activities that leaders can undertake: (1) Scan and search internal and external environments to pick up signals about potential innovations; (2) Select from this set of potential triggers the options that the organisation will pursue; (3) Having selected an option, resource it; and (4) Focus on the implementation process: cultivate ideas from development to launch.

Contemporary studies of how innovations are developed and what contributes to innovation performance reveal that R&D laboratories are the main source of innovative ideas. Firms are different in terms of managing resources that influence innovative performance. An overview of innovation process in previous studies suggests that there are three main sources of innovation: (1) Creative individuals: scientific and technological developments inevitably lead to knowledge input; (2) Company operating functions and activities: firms develop knowledge, processes and products; (3) Company architecture and external linkages: societal change and market needs lead to demand and opportunities (Trott, 2008).

With innovation management, it is important to understand how innovations are diffused and Rogers' (1995) conceptualisation of innovation diffusion explains this process as the method in which an innovation is communicated through certain channels over time among the members of a social system. Specifically, there are four elements in the innovation diffusion process: (1) the innovation itself; (2) communication through certain channels; (3) time; and (4) members of a social system.

BUSINESS EVIDENCE

Case Evidence

GE Healthcare sells $15bln a year worth of large X-ray machines, CAT scanners and ultrasound testing equipment. The health-care division of General Electric usually differentiates its products by getting better and faster readings from its instruments, “feeds and speeds,” one of the examples is in the design of some user-friendly healthcare concepts for Africa using student ideas (Business Week, 2007).

Nokia helped shape the standards for shifting GSM from narrow to broad bandwidth spectrum. It licensed the research to others and collaborated with competitors to develop the necessary chipsets. As a result, Nokia grew to become the world’s dominant wireless-phone supplier controlling around 40% of the market (Sawhney et al., 2006).

Grameenphone in Bangladesh manages a network of “Phone Lady” entrepreneurs who sell mobile phone services in local villages. Started back in 1997 in 950 villages, the company now generates revenues of almost US$1bln and net profits of almost US$200m. The company is an innovative spin-off parent company Grameen Bank (Sawhney et al., 2006).

AXA Insurance Ireland: Oke (2002) introduced the AXA Innovation Quadrant which involved four key areas of managing innovation (1) Create opportunities (10%); (2) Eliminate non-value activities (40%); (3) Improve products, services and processes (40%); and (4) Re-use success stories (10%). The model was developed as a response from new leader, John O’Neil, to implement an AXA Innovation Process.

In 2006 IBM created an ‘innovation jam’ on its corporate intranet site for 72 hours to get IBM employees, clients and partners involved in discussing new business opportunities. Interestingly, the jam attracted 57,000 visitors and created 30,000 posts (Sawhney et al., 2006).

Strengths

Innovation can be sourced from different groups: internally from employees (de Jong and Den Hartog, 2007) and externally from suppliers, competitors or specialised industry networks (Abbott and Allen, 2006). In the global arena of open innovation, innovation management is becoming ever more important.

Innovation management involves the transformation of skills and capabilities, making organisations better able to adapt, learn and exploit their resources (Neel and Hii, 1998). Innovative behaviour and thinking can be nurtured and enhanced by leaders, and innovative thinking can reinvigorate organisational culture (de Jong and Den Hartog, 2007).

Some researchers believe "that novel ideas and innovation can transform any part of the value chain ... products and services represent just the tip of the iceberg". It is about applying developments in new service offerings, business models, pricing plans and routes to market, and new management practices (Birkinshaw et al., 2011).

Weaknesses

Bessant (in Shavinina, 2003: 761-763) introduced eight challenges that companies must face when applying innovation management: (1) Why change?; (2) What to change?; (3) Understanding innovation; (4) Building an innovation culture; (5) Continuous learning; (6) High involvement innovation; (7) Dealing with discontinuity; and (8) Managing connections. Innovation management is context specific and should be dynamic and flexible.

Bessant et al. (2005) argue that innovation is discontinuous and requires an appropriate understanding of the sources of discontinuity and shifts in the 'techno-economic' paradigm - systemic changes that impact whole sectors. This understanding may be difficult to garner.

Most business practitioners believe that all new products are good and satisfy consumer needs. If this is true, then the question is: why is there such a high rate of innovation failure and only a small fraction of new products are commercially successful? (Ram, 1987).

BUSINESS APPLICATION

Implementation Information

There is no one best way to implement a management structure for innovation. Afuah (2003: 243) reminds us that innovation means change and many organisations are likely to resist it especially when it is radical, and describes two types of roadblock that must be overcome: (1) Economic - fear of the losing revenue, reduced incentive to invest, fear of being stranded; and (2) Organisational - obsolescence of capabilities, political power, emotional attachment, and dominant logic.

Implementation Steps

- Offerings: develop innovative new products and services.
- Platform: use common components or building blocks to create derivative offerings.
- Solutions: create integrated and customised offerings that solve end-to-end customer problems.
- Customers: discover unmet customer needs or identify under-served customer segments. Customer Experience: redesign customer interactions across all touch points and all moments of contact.
- Value Capture: redefine how the company gets paid or create innovative new revenue streams.
- Processes: redesign core operating processes to improve efficiency and effectiveness. Organisation: change form, function or activity scope of the firm.
- Supply Chain: think differently about sourcing and fulfillment.
- Presence: create new distribution channels or innovative points of presence, including the areas where offerings can be bought or used by customers.
- Networking: create network-centric intelligent and integrated offerings.
- Brand: leverage a brand into new domains.

Implementation Reference: Sawhney et al. (2006)

Success Factors

One of the major reasons for product failure is resistance by consumers. There is a pro-biased innovation in the management of innovation as not all innovations are good for the consumer and they do not necessarily entail a significant improvement over existing products. Managers should understand the reasons behind innovation resistance (Ram, 1987).

True business innovation is about new value, not new things: product innovation is a useful starting point, but this is not sufficient to create value for customers. It makes no difference how innovative a company thinks it is because ultimately the customer decides with their wallet (Sawhney et al., 2006).

Leave no channel or avenue untouched because innovation is a system: a great product with poor distribution channels will fail as badly as a product that is poorly received by end-users (Sawhney et al., 2006).

Measures

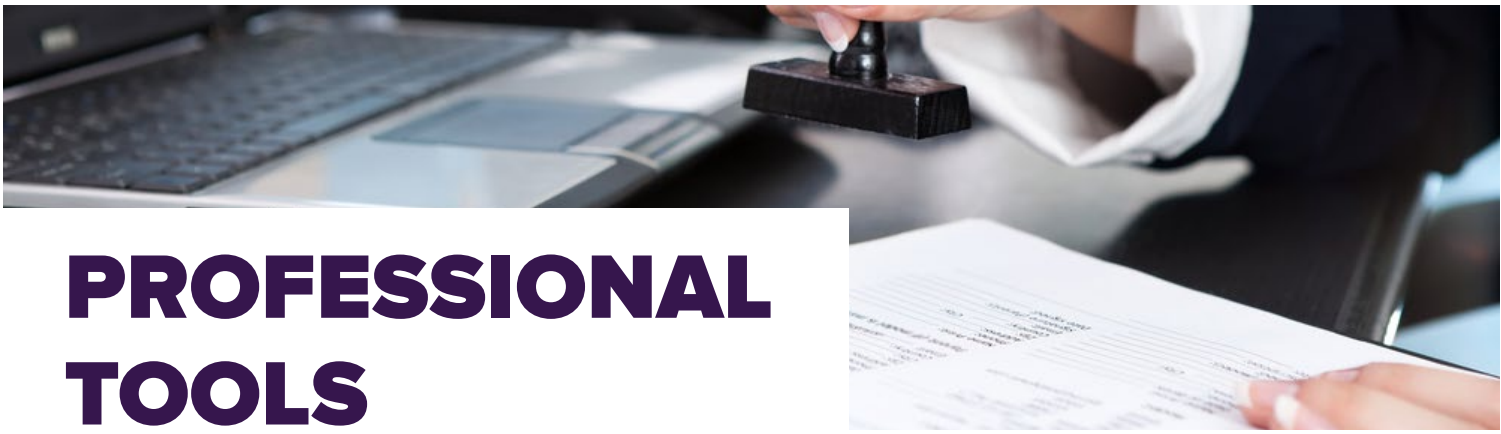
Resource utilisation: physical resources and human resources, that is, the ratio of activity versus their availability (Adams et al., 2006).

Productivity and output: to what extent have these increased directly as a result of improved business processes? (Adams et al., 2006).

Cost reduction as a factor of business innovation management (Adams et al., 2006).

Measure risk aversion: functional risk: the fear of performance and ability to function properly; economic risk: the fear of economic loss, representing a wrong decision to adopt an innovation instead of waiting for a better or more inexpensive version; and social risk: the fear of social ostracism and being seen in a negative light by others (Ram, 1987).

Time-to-market: in highly competitive industries, the time from a product idea's conception to it hitting the market is crucial, although it should not compromise quality or safety (Adams et al., 2006).



PROFESSIONAL TOOLS

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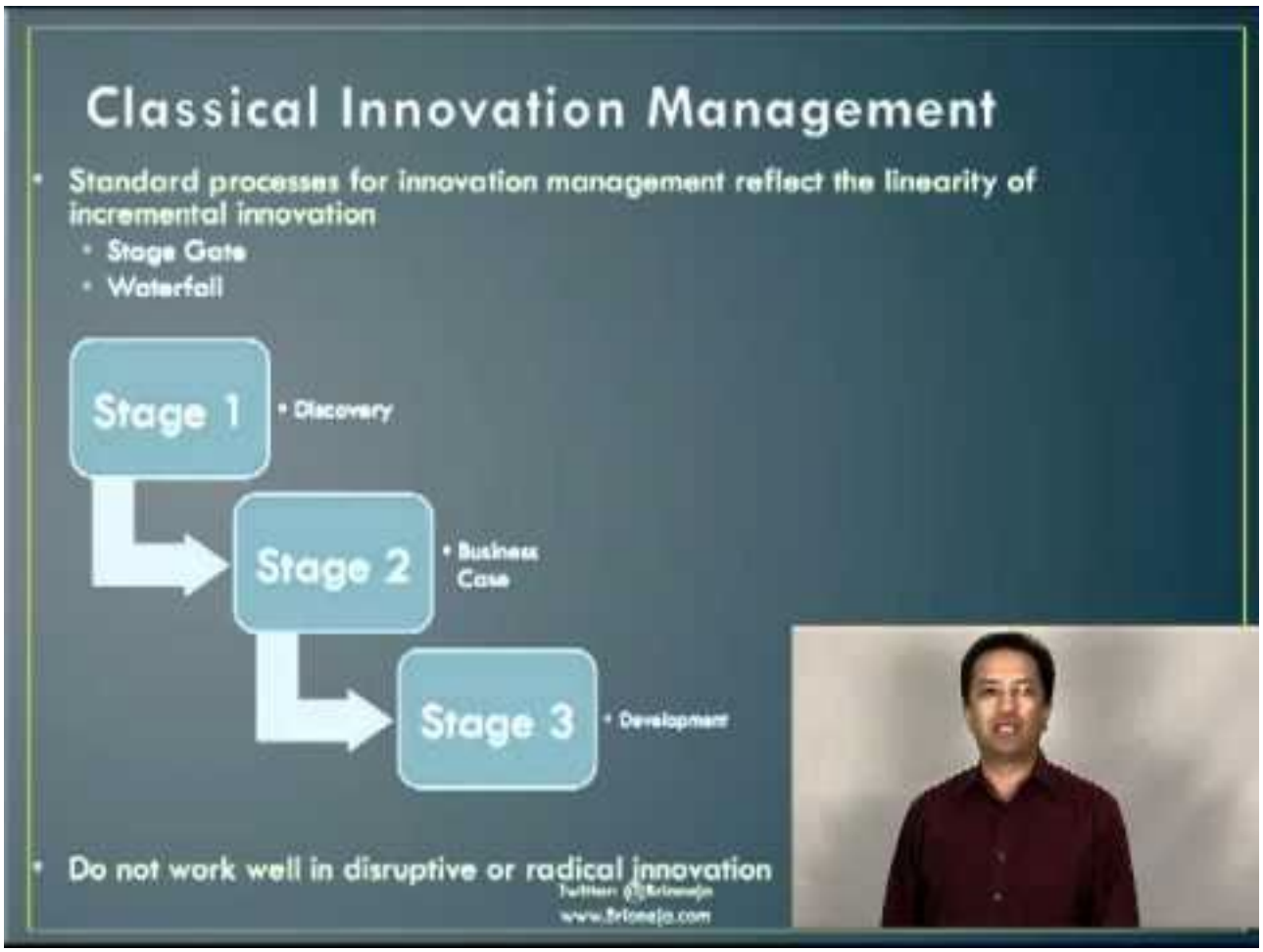

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  http://kburl.me/5gsgy
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Print Resources

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  http://www.amazon.co.uk/dp/0743222091?tag=knowled0f-21

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