



Organizational Innovation: Imperative for Business Sustainability

KEYWORDS

innovation, innovation value chain, organizational culture

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ABSTRACT Innovation may be defined as something original, new, and important that breaks in to or obtains a foothold in a market or society. Broadly, innovation may be categorized into three types: Product, process, and organizational innovation. Product innovation refers to the new or improved product, equipment or service that is successful on the market. Process innovation involves the adoption of a new or improved manufacturing or distribution process, or a new method of social service. Organisational innovation can lead to more effective utilisation of human resources that are crucial to the successful exploitation of ideas. The present paper discusses certain issues regarding organizational innovation, along with a number of corporate illustrations of organizational innovations.

INTRODUCTION

Innovation may be defined as "...something original, new, and important - in whatever field - that breaks in to (or obtains a foothold in) a market or society.. (Frankelius, 2009). ' Prather (2010) felt that 'innovation is a social process requiring an effective team to bring a good idea to fruition in the marketplace.' According to Freeman (1982:7), an innovation in the economic sense is accomplished only with the first commercial transaction involving the new product, process, system or device. According to OECD, "Innovation consists of all those scientific, technical, commercial and financial steps necessary for the successful development and marketing of new or improved manufactured products, the commercial use of new or improved processes or equipment or the introduction a new approach to a social service. R&D is only one of these steps." OECD (1981:15-16). Innovation is the process, which results into new products, processes and systems, that organizations need to sustain and survive in the ever-changing markets, technologies and competition (D'Aveni, 1994; Dougherty & Hardy, 1996; Utterback, 1994).

TYPES OF INNOVATION

Broadly, innovation may be categorized into three types: Product, process, and organizational innovation. Product innovation refers to the new or improved product, equipment or service that is successful on the market. Process innovation involves the adoption of a new or improved manufacturing or distribution process, or a new method of social service. This is not to mean that the two types of innovations are mutually exclusive. Process innovation may lead on to product innovation. Similarly product innovation may induce innovation in processes. Further to product innovation and process innovation, there is organisational innovation. Organisational innovation can lead to more effective utilisation of human resources that are crucial to the successful exploitation of ideas (Neely & Hii, 1998).

INNOVATION VALUE CHAIN

Hansen & Birkinshaw (2007) proposed an innovation value chain for a company by adopting an end-to-end view of their innovation efforts, pinpoint their particular weaknesses, and tailor innovative best practices as appropriate to address the deficiencies. The innovation value chain offers a framework that breaks innovation down into three phases (idea generation, conversion, and diffusion) and six critical activities (internal, cross-unit, and external sourcing; idea selection and development; and spread of the idea) performed across those phases. Using the innovation value chain, management can

identify the organisation's weaknesses and, as a result, be more selective about which innovation tools and approaches to implement. Failure to identify the weak link (idea selection) and focusing more time and resources on the strong link (idea generation) ultimately undermined the company's innovation efforts (Hansen & Birkinshaw 2007).

ROLE OF LEADERSHIP AND GOAL SETTING IN INNOVATION

According to Prather (2010), to build an innovative company, leadership needs to develop and nurture an atmosphere of innovation through employee involvement and setting up challenging performance targets. Hamel & Getz (2004) suggested that a company should commit itself to a relatively small number of medium-term innovation goals which need to be sufficiently difficult to achieve, and yet, practical enough to be credible.

Hamel & Getz (2004) believe that companies need to *institutionalise innovation* as a core value. Developing an innovative culture is much more than offering a few rewards for innovative behaviour. Supporting the above, Thompson & Heron's (2006) looked at links between three dimensions of the employment relationship – the psychological contract, affective commitment and knowledge-sharing behaviours – and their consequences for innovative performance. They suggested that organisations that invest heavily in *socialisation* of employees, and enact policies and practices to forge strong *personal identification* with the organisation and its values and purpose may be better placed to appropriate value from knowledge worker behaviour. In order to develop work environment conducive to top performance, innovation needs to be supplemented with trust, openness, freedom and risk taking. In innovative organization, 'mistake' is to be acknowledged as a part of effort for improvement and thus, is a part of learning in a macro perspective (Prather 2010).

ORGANIZATIONAL PRACTICES TO PROMOTE INNOVATION

- According to Wander (2013), following organizational practices may facilitate the organizational innovation:
- One should encourage creativity and innovation. The employees need to be praised and appreciated for any creative and innovation done by them.
- Effort should be made to recruit talents with innovative track record. This may bring a quick positive change in the innovation graph of the company.
- Employee involvement from at all the levels is a key fac-

tor enhancing innovative culture in a company. Each employee should be encouraged to think out of the box, which may facilitate in the company's performance.

- Organizational climate needs to be maintained as positive encouraging. Research reveals that a positive environment helps people to become more creative. An open and blame-free environment needs to be built, where ideas are valued, not dismissed
- Leaders need to develop active listening skill. This would encourage people to be creative. Organization also needs to develop a mechanism to reward them and openly praise their success.

INNOVATION IN INDIAN BUSINESS SCENARIO

Indian companies, which are facing adverse business environment and are challenged with the need to grapple with rising output cost, increased competition, and product differentiation in order to remain profitable, seem to be in need of embracing innovation as business strategy seriously. While this is true for a few large companies, recent surveys and studies prove otherwise. For example, a recent survey by All India Management Association (AIMA) reveals that the majority of firms are yet to realize the benefits of innovation and embrace it wholeheartedly. This survey covering 60 large, mid-sized companies (manufacturing and services) revealed that innovation is yet to become a reality for most of them. About 37% of them opined that they looked for, collect and screen innovation ideas only when the need was felt. A majority of companies (53%) screened less than 5 ideas each month. 23 of the 60 companies said that only 10% of those ideas reached the developmental stage. Only 14 companies opined that 20% of ideas reached that stage. 59% of the sample opined that less than 5 projects got commercialised each year. Almost 55% companies surveyed said that they have not filed for any patents or design registrations. The reasons for this are numerous. Without strong involvement from top management innovation cannot take place. In the above study, only 11% of the respondents said that the CEO met the innovation team everyday, 59% said that innovation team met the CEO only once in a month to once in a quarter. Also, at the Board of Directors level, innovation has failed to get the attention that it deserved. Only 27% companies said that their Board Agenda for meetings contained topics related to innovation. 68% said that the Board took innovation seriously only as and when it was required. This indifference to innovation is despite the fact that it provides a handsome boost to revenues. 45% of the respondents of the study claimed that innovation contributed up to 25% of sales (<http://businesstoday.intoday.in>). As seen above, among the large firms, who are taking innovation seriously, the following illustrate a few of the more successful innovative firms which have taken innovation as a business strategy (<http://businesstoday.intoday.in>):

ICICI Bank

ICICI Bank, the private sector Indian bank has set up an "ideas laboratory" that has generated 44,700 ideas of which 14,700 have been implemented. This initiative is an outcome of management's vision to involve employees at every level in generating various ideas to improve the bank's performance. Its latest innovation is mobile banking. Using their handsets, customers can execute transactions such as paying utility bills and insurance premium. ICICI has built the technological capability to handle large volumes of small ticket-sized transactions.

Dabur India

In 2010, Dabur included expansion, acquisition and innovation, as three pillars of their corporate strategy. Following the same, Dabur has transformed its image from manufacturer of ayurvedic medicines to an FMCG company that operates in eight consumer categories, including health supplements, oral care, home care and foods. Dabur rewards employees who implement a new idea more than an employee who does a great job on an existing product.

Airtel

Indian telecom industry is characterized by high competition, low tariffs and infrastructural problems. Airtel realized that to operate with cost-effectiveness in this market, innovation is more of a necessity and a survival issue. Over the years, Airtel has brought to the market a number of innovative products and services such as HelloTunes (caller ring-back tones); Easy Charge, and BlackBerry services. For rural markets, Airtel's innovative plan is to focus on a "four-pillar strategy" covering Network, Distribution, Service and Brand-building. It is already present in 3.2 lakh villages (out of 6 lakh) and 4,900 towns (out of 5,100).

Dr Reddy's Laboratories

Pharmaceutical industry is all about innovation, be it NCEs (NEW DRUGS) or generics (copy-cat drugs). In the high-risk, but fiercely competitive world of pharmaceuticals, innovation makes all the difference between success and failure. Keeping this in mind, Dr Reddy's Laboratories focuses highly on Research and Development. One of the key components of Dr Reddy's innovation strategy is partnerships, through which, resources and capabilities can be used optimally by both the partners. For example, it partnered with ClinTec (UK) to develop a cancer drug, and with the University of Auckland for clinical trials of the polypill.

Samsung Electronics India

Samsung tied up with IIT Delhi to set up a "usability lab" where all its products—no matter how hi-tech—are studied for customisation for India. Using IIT's students of industrial design, Samsung studies consumer response to how its products look, feel and work. For that it relies on some hi-tech equipment, such as, eye-tracking systems, force sensors, and CAD stations for 3D modelling. All that work has led to some unique product features like the "saree wash course" and "memory re-start" (to deal with frequent power cuts) in its washing machines, "Easy View" for TVs that includes on-screen channel menu and channel scheduler among others, and Direct Cool refrigerators with built-in stabilisers and frost-free refrigerators that are highly energy efficient.

Infosys Technologies

Infosys emphasizes on the innovation at every sphere of business, right from designs for its new buildings at its 80-acre Head Quarters in Bangalore to new solutions meant to enhance employee efficiency. A key component of Infosys' innovation machine is the Software Engineering and Technology Laboratories (SETLabs), a 500-person unit that works on a variety of initiatives ranging from open source and grid computing applications to projects in personalised information (areas like enterprise content management and business intelligence) to research on areas, such as, pervasive access, including mobile computing and convergent technologies.

CONCLUSION

There are no clear cut directives that can be prescribed with regard to organizational innovation. Review of various studies show that, it is highly specific and contextual with regard to the company and its business environment in which it operates. While highly volatile environmental conditions demand that organizations enhance their innovative capabilities to create sustainable businesses, organizations operating in relatively less competitive environment cannot remain aloof to innovation. While innovation is generally understood as being associated with technological progress and adaption of same to create more advanced products and services to serve customers better, it can touch other areas too. For instance, innovation which may create value-driven processes and an organizational culture, is capable of generating unique practices within organizations, thereby giving them the differential advantages vis-a-vis their competitors. It may also lead to fine-tuning of the innovative practices to a level where it may give them a dominant market leadership position, as it may lead to the development of 'best practice' so far as the companies are concerned. 'Just-in-Time' of Toyota

is an illustration of the same. Thus, to conclude, it may be said that, being innovative is not a choice in today's business scenario, but more of a compelling need. This is especially true for those who want to remain imprinted in their stakeholders' psyche which would enable them to regenerate and rejuvenate themselves in an ever-changing and demanding

business environment. The writing on the wall is clear as far as creating professional companies are concerned: "get beyond products, use many types of innovations to make them defensible, start with a market, and customer-centric view, think synthetically and challenge orthodoxies" (<http://businesstoday.intoday.in>).

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